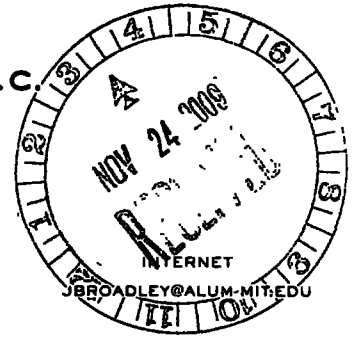


LAW OFFICES

JOHN H. BROADLEY & ASSOCIATES, P.C.

CANAL SQUARE
1054 THIRTY-FIRST STREET, N.W.
WASHINGTON, D.C.
20007

(202) 333-6025
(301) 942-0676 FAX



November 24, 2009

JOHN H. BROADLEY

226 058

Cynthia T. Brown
Chief of the Section of Administration, Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, D. C. 20423

RE: Finance Docket No. 35314, *Massachusetts Coastal Railroad, LLC-
Acquisition-CSX Transportation, Inc.*

Dear Ms. Brown:

Enclosed for filing are the original and 10 copies of an Application under 49 U.S.C. 11323, for Massachusetts Coastal Railroad, LLC to acquire from CSX Transportation, Inc. a permanent freight easement. Also enclosed are a check for the filing fee of \$7,600, twenty additional copies of the map, and a diskette with the file in WORD and pdf format.

Please time and date stamp the extra copy of this letter and the Application and return them with our messenger.

Thank you for your assistance. If you have any questions, please contact me.

Sincerely yours,

Louis Gitomer

Louis E. Gitomer, Esq.,
Attorney for CSX Transportation, Inc.

John Broadley

John H. Broadley, Esq.
Attorney for Mass Coastal Railroad, LLC

Enclosure

ENTERED
Office of Proceedings

NOV 24 2009

Part of
Public Record

FILED

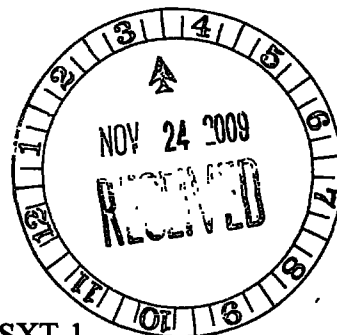
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SURFACE
TRANSPORTATION BOARD

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TRANSPORTATION BOARD

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MCRR/CSXT-1

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35314

MASSACHUSETTS COASTAL RAILROAD, LLC
-ACQUISITION-
CSX TRANSPORTATION, INC.

ENTERED
Office of Proceedings

NOV 24 2009

Part of
Public Record

APPLICATION

FEE RECEIVED

NOV 24 2009

SURFACE
TRANSPORTATION BOARD

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500 Water Street J-150
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Counsel for CSX Transportation, Inc.

Counsel for Massachusetts Coastal
Railroad, LLC

Dated: November 24, 2009

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35314

MASSACHUSETTS COASTAL RAILROAD, LLC
–ACQUISITION–
CSX TRANSPORTATION, INC.

APPLICATION

Massachusetts Coastal Railroad, LLC (“Mass Coastal”), a Class III railroad, and CSX Transportation, Inc. (“CSXT”), a Class I railroad (jointly “Applicants”) file this minor application pursuant to 49 U.S.C. § 11323(a)(2) and 49 C.F.R. §1180 seeking approval from the Surface Transportation Board (the “Board”) for Mass Coastal to acquire the permanent freight easement being retained by CSXT in the South Coast Lines, consisting of (1) the New Bedford Subdivision, which is 18.40 miles between milepost QN 13.40 at Cotley Jct. and milepost QN 31.80 at New Bedford, (2) the Fall River Subdivision, which is 14.20 miles between milepost QNF 0.00 at Myricks and milepost QNF 14.20 at Fall River, and (3) 0.08 mile of the North Dartmouth Industrial Track between milepost QND 0.00 and milepost QND 0.08, collectively a distance of approximately 32.68 miles (the “South Coast Lines”), in the Commonwealth of Massachusetts (“Commonwealth”). CSXT has agreed to sell the South Coast Lines, among other lines, to the Commonwealth acting through the Massachusetts Department of Transportation (“MADOT”) and retain a permanent freight easement over the South Coast Lines.¹ A map of the

¹ On November 24, 2009, MADOT filed a notice of exemption under 49 C.F.R. §1150 and a

South Coast Lines is in Exhibit 1-A.

CSXT has also agreed to grant Mass Coastal overhead trackage rights over its Middleboro Subdivision (1) between Mass Coastal's interchange tracks at Taunton, approximately at milepost QN 11.6, and Mass Coastal's freight operation at milepost QN 13.4, a distance of about 1.8 miles; and (2) connecting at milepost QN 13.3, between milepost QNB 13.3 and Mass Coastal's interchange tracks at Middleboro, approximately at milepost QNB 20.4, a distance of about 7.1 miles, for a total distance of 8.9 miles (the "Trackage Rights Line"), so that Mass Coastal can connect the South Coast Lines to its existing lines.² A map of the Trackage Rights Line is included in Exhibit 1-A.

In the MADOT Transaction, CSXT has agreed to sell the real estate and track and materials (the "CSXT Property") to MADOT, while retaining a permanent freight easement that will enable CSXT to continue to provide common carrier rail service. MADOT proposes to acquire the CSXT Property in two stages. At the First Closing, MADOT proposes to acquire the remaining 4.87 miles of the Grand Junction Branch between milepost QBG 0.00 and milepost QBG 2.70 and between milepost QBG 5.70 and milepost QBG 7.87, the remaining 1.10 miles of the Boston Terminal Running Track between milepost QBB 0.00 and milepost QBB 1.10, the South Coast Lines, and 6.00 miles of the North Dartmouth Industrial Track between milepost

concurrent motion to dismiss in *Massachusetts Department of Transportation–Acquisition Exemption–Certain Assets of CSX Transportation, Inc.*, Finance Docket No. 35312 (the "MADOT Transaction").

² See the concurrently filed and directly related notice of exemption in *Massachusetts Coastal Railroad, LLC–Trackage Rights Exemption–CSX Transportation, Inc.*, Finance Docket No. 35314 (Sub-No. 1X).

QND 0.00 and milepost QND 6.00 (the “First Closing Lines”).³ At the Second Closing, MADOT proposes to acquire portions of the Boston Main Line consisting of the 22.92-mile Framingham to Worcester segment between milepost QB 21.38 and milepost QB 44.30 and the 9.71 miles Cove to Newton segment between milepost QB 1.12 and milepost 10.83⁴ (the “Second Closing Line”).⁵ The commuter service over the MADOT Lines will continue to be provided by the Massachusetts Bay Transportation Authority (“MBTA”), a non-carrier. A map of the MADOT Lines is in Exhibit 1-B.

As noted, CSXT will retain a permanent freight easement over the MADOT Lines so that it can continue to provide common carrier service to its shippers. Details concerning the permanent freight easement and operations under the permanent freight easement are provided in the *MADOT Transaction*. CSXT has agreed, with the consent of MADOT, to sell the permanent freight easement over the South Coast Lines to Mass Coastal. MBTA will execute operating and maintenance agreements with Mass Coastal.

Currently, MBTA does not provide commuter service to the South Coast Lines. However, MADOT contemplates a commuter operation as discussed in the *MADOT*

³ CSXT previously sold the track and material between milepost QND 0.08 and QND 6.00 (the “Bay Colony Line”) to the Bay Colony Railroad Corporation (“Bay Colony”) and leased the real estate to Bay Colony. *Bay Colony Railroad Corporation—Acquisition and Operation Exemption—CSX Transportation, Inc., as Operator for New York Central Lines, LLC*, STB Finance Docket No. 34446 (STB served January 16, 2004). Pursuant to the agreement between CSXT and MADOT, Bay Colony will continue to provide common carrier service over the Bay Colony Line. MADOT is acquiring only the real estate for the Bay Colony Line, it is not acquiring the track and materials.

⁴ CSXT is only selling the track and materials on the Cove to Newton segment. The real estate was previously sold to the Massachusetts Turnpike.

⁵ The First Closing Lines and the Second Closing Line are collectively referred to as the “MADOT Lines”.

Transaction. CSXT will continue to interchange with Mass Coastal at Middleboro pursuant to the trackage rights and will consolidate its Taunton interchange at Cotley Junction to include traffic for the South Coast Lines.

The proposed transaction is a minor transaction, as that term is defined in the Board's regulations at 49 C.F.R. §1180.2(c). The proposed transaction does not involve the control or merger of two Class I railroads since it is a line sale and Mass Coastal is not a Class I railroad. The proposed transaction is the sale of a permanent freight easement to operate 32.68 miles of light density track in south eastern Massachusetts, plus 8.9 miles of overhead trackage rights. The South Coast Lines are located in Bristol and Plymouth Counties, MA, and do not have regional or national significance. In addition, the proposed transaction will not have any anticompetitive effects. There will be no reduction in transportation alternatives. There are no interchange commitments in the agreements between CSXT and Mass Coastal. Mass Coastal will replace CSXT as the railroad providing service over the South Coast Lines.

Pursuant to the Board's regulations at 49 C.F.R. § 1180.4, Applicants submit the following information:

Section 1180.6 Supporting Information

(a) All applications filed under 49 U.S.C. 11323 shall show in the title the names of the applicants and the nature of the proposed transaction. Beneath the title indicate the name, title, business address, and telephone number of the person(s) to whom correspondence with respect to the application should be addressed. The following information shall be included in all applications:

(1) A description of the proposed transaction, including appropriate references to any supporting exhibits and statements contained in the application and discussing the following:

(i) A brief summary of the proposed transaction, the name of applicants, their business address, telephone number, and the name of the counsel to whom questions

regarding the transaction can be addressed.

The carriers involved in this transaction and their business addresses are:

Massachusetts Coastal Railroad, LLC
68 Center Street, Suite 20
Hyannis, MA 02601

CSX Transportation, Inc.
500 Water Street J-150
Jacksonville, FL 32202

Questions and correspondence concerning this notice may be addressed to:

John H. Broadley
John H. Broadley & Associates, PC
Canal Square
1054 Thirty-First Street NW, Suite 200
Washington, DC 20007
(202) 333-6025
JBroadley@alum.mit.edu

Steven C. Armbrust
CSX Transportation, Inc.
500 Water Street J-150
Jacksonville, FL 32202
(904) 359-1229
Steven_Armbrust@csx.com

Louis E. Gitomer
Law Offices of Louis E. Gitomer, LLC
600 Baltimore Avenue, Suite 301
Towson, MD 21204
(401) 296-2250
Lou_Gitomer@verizon.net

(ii) The proposed time schedule for consummation of the transaction.

The transaction is scheduled to be consummated on May 14, 2010, concurrent with the transfer of the First Closing Lines to MADOT and the reservation of the permanent freight easement by CSXT.

(iii) The purpose sought to be accomplished by the proposed transaction, e.g., operating economies, eliminating excess facilities, improving service, or improving the financial viability of the applicants.

CSXT is seeking to sell the MADOT Lines to MADOT in order to assist the Commonwealth in expanding its rail commuter operations. CSXT will retain its freight franchise through the permanent freight easement and will receive a cash infusion along with assistance in facilities relocations and in improving its infrastructure west of Interstate 495 in eastern Massachusetts.

CSXT is selling the permanent freight easement over the light density South Coast Lines to rationalize its system. Mass Coastal and CSXT have concluded that Mass Coastal can provide more effective and personalized service to the shippers on the South Coastal Lines. Mass Coastal will provide improved local service and pursue an aggressive marketing plan.

Mass Coastal will meet with all of the existing shippers on the South Coast lines and intends to contact non-rail shippers who could use the South Coast Lines in an attempt to persuade them to use locally owned rail freight service.

Today, CSXT provides service five days per week, three days per week on the Cotley Jct. to New Bedford line and two days per week on the Cotley Jct. to Fall River line. Mass Coastal will continue the current level of service, and increase the frequency as traffic growth justifies expanded service. Mass Coastal expects to handle about 1,900 carloads per year during its first two years of operations.

(iv) The nature and amount of any new securities or other financial arrangements.

Mass Coastal does not plan to enter any new financial arrangements for the acquisition of the South Coast Lines. Any payments made to CSXT will be from cash on hand. Maintenance

costs will be covered through operating revenues. Prior to MBTA commencing commuter operations on the South Coast Lines, Mass Coastal intends to enter into agreements where MBTA will provide the financing for the capital investment in infrastructure necessary for the joint operation of commuter trains and freight trains.

(2) A detailed discussion of the public interest justifications in support of the application, indicating how the proposed transaction is consistent with the public interest, with particular regard to the relevant statutory criteria, including

(i) The effect of the transaction on inter- and intramodal competition, including a description of the relevant markets (see §1180.7). Include a discussion of whether, as a result of the transaction, there is likely to be any lessening of competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the United States.

Applicants do not expect that as a result of the transaction, there is likely to be any lessening of competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the United States.

Mass Coastal currently operates approximately 58.5 miles of freight lines at Taunton and between Middleboro and points on Cape Cod, all within Massachusetts.⁶

The Trackage Rights Line will permit the South Coast Lines to connect to the current Mass Coastal lines. The South Coast Lines are a self-contained light density railroad line in southeastern Massachusetts. The South Coast Lines are rail-served only by CSXT today. However, there is truck and barge competition for traffic today. Upon consummation of the proposed transaction, Mass Coastal will replace CSXT as the sole rail operator of the South Coast Lines.

With respect to intra-modal competition, Mass Coastal expects the proposed transaction

⁶ See *Massachusetts Coastal Railroad, LLC-Modified Rail Certificate*, STB Finance Docket No.

to be neutral. Service from CSXT will be replaced by service from Mass Coastal. There will be no reduction in service or rail competitive options. As a result of the proposed transaction there will not be a lessening of competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the United States.

Mass Coastal intends to increase intermodal competition by targeting those shippers who use alternate modes of transportation into and out of the area that Mass Coastal will be able to serve once it acquires the South Coast Lines. Mass Coastal will aggressively compete with the truck and barge service provided in the area today.

Mass Coastal will interchange with CSXT at Taunton, MA and Middleboro, MA. Mass Coastal will also interchange traffic with the Bay Colony north of New Bedford. The Providence & Worcester Railroad Company ("P&W") was previously granted trackage rights in 1982 between Attleboro and the MA/RI state line at Fall River, including trackage over the South Coast Lines between Cotley Junction and the southern end of the Fall River Subdivision. P&W is not using the trackage rights because the P&W line connecting to the southern end of the trackage rights is out of service. However, if P&W rehabilitated and reopened its line, Mass Coastal will be required to allow P&W to utilize its trackage rights.

(ii) The financial consideration involved in the proposed transaction, and any economies, to be effected in operations, and any increase in traffic, revenues, earnings available for fixed charges, and net earnings, expected to result from the consummation of the proposed transaction.

To acquire the permanent freight easement over the South Coast Lines, Mass Coastal will pay CSXT the amount described in Section 4 of the Purchase and Sale Agreement of Permanent

Freight Easement (the “Agreement”). Mass Coastal will pay any consideration with cash on hand and will not incur fixed charges as a result of the proposed transaction.

Mass Coastal believes that it can operate the South Coast Lines more efficiently than CSXT and with greater emphasis on the needs of the shippers along the South Coast Lines. Initially, Mass Coastal expects traffic to remain static. However, within two years of consummation, Mass Coastal expects that its aggressive marketing will result in the growth of traffic on the South Coast Lines.

Mass Coastal expects net earnings of approximately \$25,000 per year from the South Coast Lines for the first two years after acquisition. Future earnings will depend on the growth of traffic and the general economy.

(iii) The effect of the increase, if any, of total fixed charges resulting from the proposed transaction.

Mass Coastal does not expect any fixed charges as a result of the proposed transaction. Therefore, there will be no effect from fixed charges on Mass Coastal’s financial condition.

(iv) The effect of the proposed transaction upon the adequacy of transportation service to the public, as measured by the continuation of essential transportation services by applicants and other carriers.

Mass Coastal contends that the proposed transaction will improve the adequacy of transportation service to the shipping public. As a short line, Mass Coastal will devote more attention to the local and smaller shippers on the South Coast Lines. Mass Coastal expects to be more attentive to its customers needs and able to respond more quickly than its Class I partner.

Mass Coastal will continue to provide five-day-per-week service until it can grow the traffic to levels meriting more frequent service.

(v) The effect of the proposed transaction upon applicant carriers' employees (by class or craft), the geographic points where the impact will occur, the time frame of the impact (for at least 3 years after consolidation), and whether any employee protection agreements have been reached.

Appendix 1 contains the information as to the effect of the proposed transaction on CSXT employees.

Mass Coastal expects to hire approximately four or five new employees to operate the South Coast Lines, including approximately one locomotive engineer, one conductor and two or three maintenance-of-way employees.

Mass Coastal and CSXT will provide the level of labor protection mandated by 49 U.S.C. § 11326. Therefore, Applicants request the Board to impose the labor protective conditions in *New York Dock Ry.—Control—Brooklyn Eastern Dist.*, 360 I.C.C. 60 (1979), as modified by *Wilmington Term. RR, Inc.—Pur. & Lease—CSX Transp., Inc.*, 6 I.C.C.2d 799, 814-826 (1990), *aff'd sub nom. Railway Labor Executives' Ass'n v. I.C.C.*, 930 F.2d 511 (6th Cir. 1991).

(vi) The effect of inclusion (or lack of inclusion) in the proposed transaction of other railroads in the territory, under 49 U.S.C. 11324.

Not applicable.

(3) Any other supporting or descriptive statements applicants deem material.

Applicants believe that the information furnished in this application adequately supports the Board's approval of this minor transaction under applicable statutory criteria and Board precedent. Applicants will furnish the Board with any information concerning this transaction that it may require, and will participate fully in any proceedings on this transaction which the Board deems appropriate.

(4) An opinion of applicants' counsel that the transaction meets the requirements of the

law and will be legally authorized and valid, if approved by the Board. This should include specific references to any pertinent provisions of applicants' bylaws or charter or articles of incorporation.

See Appendix 2.

(5) A list of the State(s) in which any part of the property of each applicant carrier is situated.

Mass Coastal operates approximately 58.5 miles of freight railroad in the Commonwealth of Massachusetts.

CSXT owns and operates about 21,000 miles of railroad in the States of Alabama, Connecticut, District of Columbia, Delaware, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Massachusetts, Maryland, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia, and the Canadian Provinces of Ontario and Québec.

(6) Map.

See Exhibit 1.

(7) Explanation of the transaction.

(i) Describe the nature of the transaction (e.g., merger, control, purchase, trackage rights), the significant terms and conditions, and the consideration to be paid (monetary or otherwise).

CSXT will sell the South Coast Lines to the Commonwealth, and will retain a permanent freight easement over the South Coast Lines. Simultaneous with the sale of the South Coast Lines, CSXT will sell the permanent freight easement over the South Coast Lines to Mass Coastal. Mass Coastal and MBTA will enter into operating and maintenance agreements.

(ii) Agreement (exhibit 2). Submit a copy of any contract or other written instrument entered into, or proposed to be entered into, pertaining to the proposed transaction.

In addition, parties to exempt trackage rights agreements and renewal of agreements described at §1180.2(d)(7) must submit one copy of the executed agreement or renewal agreement with the notice of exemption, or within 10 days of the date that the agreement is executed, whichever is later.

A copy of the redacted Purchase and Sale Agreement of Permanent Freight Easement is attached as Exhibit 2. An unredacted copy of the Agreement has been filed under seal.

(iii) If a consolidation or merger is proposed, indicate: (A) The name of the company resulting from the consolidation or merger; (B) the State or territory under the laws of which the consolidated company is to be formed or the merged company is to file its certificate of amendment; (C) the capitalization proposed for the resulting company; and (D) the amount and character of capital stock and other securities to be issued.

Not applicable.

(iv) Court order (exhibit 3). If a trustee, receiver, assignee, or personal representative of the real party in interest is an applicant, submit a certified copy of the order, if any, of the court having jurisdiction, authorizing the contemplated action.

Not applicable.

(v) State whether the property involved in the proposed transaction includes all the property of the applicant carriers and, if not, describe what property is included in the proposed transaction.

The permanent freight easement over the South Coast Lines is not all of the property of CSXT. CSXT is selling the permanent freight easement over (1) the New Bedford Subdivision, which is 18.40 miles between milepost QN 13.40 at Cotley Jct. and milepost QN 31.80 at New Bedford, (2) the Fall River Subdivision, which is 14.20 miles between milepost QNF 0.00 at Myricks and milepost QNF 14.20 at Fall River, and (3) 0.08-mile of the North Dartmouth Industrial Track between milepost QND 0.00 and milepost QND 0.08, a total distance of approximately 32.68 miles.

(vi) Briefly describe the principal routes and termini of the lines involved, the principal points of interchange on the routes, and the amount of main-line mileage and branch

line mileage involved.

The South Coast Lines begin at Cotley Junction, just south of Taunton, as the New Bedford Subdivision. The New Bedford Subdivision (approximately 18.4 miles) terminates at New Bedford. The Fall River Subdivision (approximately 14.2 miles) branches off of the New Bedford Subdivision at Myricks, terminating at Fall River. The 0.08-mile of the North Dartmouth Industrial Track between milepost QND 0.00 and milepost QND 0.08, connect the New Bedford Subdivision with the Bay Colony, and will permit interchange between the two railroads. CSXT and Mass Coastal will interchange at Cotley Junction.

(vii) State whether any governmental financial assistance is involved in the proposed transaction and, if so, the form, amount, source, and application of such financial assistance.

No governmental financial assistance is involved in the proposed sale of the permanent freight easement over the South Coast Lines to Mass Coastal. When MBTA decides to operate commuter trains over the South Coast Lines, governmental financial assistance will be provided to upgrade the South Coast Lines to handle commuter traffic.

(8) Environmental data (exhibit 4). Submit information and data with respect to environmental matters prepared in accordance with 49 CFR part 1105. In major and significant transaction, applicants shall, as soon as possible, and no later than the filing of a notice of intent, consult with the Board's Section of Environmental Analysis for the proper format of the environmental report.

No environmental documentation is required because there will be no operational changes that would exceed the thresholds established in 49 C.F.R. §1105.7(e)(4) or (5) and there will be no action that would normally require environmental documentation. Hence, this Application does not require environmental documentation under 49 C.F.R. §1105.6(b)(4) and (c)(2)(i).

A historic report is not required because Mass Coastal will operate the South Coast Lines

and will require further Board approval to discontinue or abandon any service. There are no plans to dispose of or alter properties subject to Board jurisdiction that are 50 years old or older.

1180.8. Operational Data.

(c) For minor transactions: Operating plan-minor (exhibit 15). Discuss any significant changes in patterns or types of service as reflected by the operating plan expected to be used after consummation of the transaction. Where relevant, submit information related to the following:

Mass Coastal intends to continue to provide five-day-per-week service similar to that currently being provided by CSXT. There will be no significant changes in operations. See Exhibit 15.

(1) Traffic level density on lines proposed for joint operations.

Mass Coastal expects to operate one train per day, five days per week over the South Coast Lines. On average, each train will contain about 15 loaded and empty cars combined.

Initially, only freight service will be provided on the South Coast Lines.⁷ Mass Coastal will be the exclusive provider of freight service to on-line customers. The South Coast Lines currently handle approximately 1,900 cars per year. Mass Coastal expects this basic level of traffic to continue for the first several years of its ownership. Eventually, the Commonwealth plans to rehabilitate the South Coast Lines and provide commuter service. The terms of the permanent freight easement being sold to Mass Coastal provide it with all necessary rights to permit it to meet its common carrier obligation. The rights under the permanent freight easement are consistent with the operation of commuter service contemplated by the Commonwealth.

(2) Impacts on commuter or other passenger service operated over a line which is to be downgraded, eliminated, or operated on a consolidated basis.

There is no passenger or commuter service over the South Coast Lines today. In the future it is anticipated that MBTA will expand its commuter system to the South Coast Lines.

The South Coast Lines are owned by the Commonwealth. Therefore, the Commonwealth can ensure that the South Coast Lines are not eliminated. MBTA will also be able to upgrade the South Coast Lines to the condition necessary for the commuter service it will provide.

(3) Operating economies, which include, but are not limited to, estimated savings.

CSXT expects operating economies as a result of the transaction. CSXT expects to reduce maintenance costs by about \$150,000 per year. In addition, CSXT may obtain minimal savings on employee overtime at the end of the six-year labor protective period.

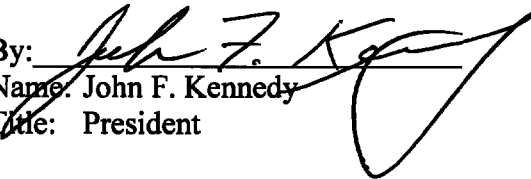
(4) Any anticipated discontinuances or abandonments.

Mass Coastal does not anticipate discontinuing service over or abandoning any portion of the South Coast Lines.

CONCLUSION

Massachusetts Coastal Railroad, LLC and CSX Transportation, Inc. pray that the Board grant this application for Mass Coastal to acquire from CSXT the 32.68-mile South Coast Lines consisting of (1) the New Bedford Subdivision, which is 18.40 miles between milepost QN 13.40 at Cotley Jct. and milepost QN 31.80 at New Bedford, (2) the Fall River Subdivision, which is 14.20 miles between milepost QNF 0.00 at Myricks and QNF 14.20 at Fall River, and (3) 0.08-mile of the North Dartmouth Industrial Track between milepost QND 0.00 and milepost QND 0.08, and enter an appropriate order approving the transaction proposed in the Sale as required by 49 U.S.C. § 11323(a).

Massachusetts Coastal Railroad, LLC

By: 
Name: John F. Kennedy
Title: President

CSX Transportation, Inc.

By: _____
Name: Lester M. Passa
Title: VP Strategic Planning

Dated: November 6th, 2009

CONCLUSION

Massachusetts Coastal Railroad, LLC and CSX Transportation, Inc. pray that the Board grant this application for Mass Coastal to acquire from CSXT the 32.68-mile South Coast Lines consisting of (1) the New Bedford Subdivision, which is 18.40 miles between milepost QN 13.40 at Cotley Jct. and milepost QN 31.80 at New Bedford, (2) the Fall River Subdivision, which is 14.20 miles between milepost QNF 0.00 at Myricks and QNF 14.20 at Fall River, and (3) 0.08-mile of the North Dartmouth Industrial Track between milepost QND 0.00 and milepost QND 0.08, and enter an appropriate order approving the transaction proposed in the Sale as required by 49 U.S.C. § 11323(a).

Massachusetts Coastal Railroad, LLC

By: _____

Name: John F. Kennedy

Title: President

CSX Transportation, Inc.

By:  _____

Name: Lester M. Passa

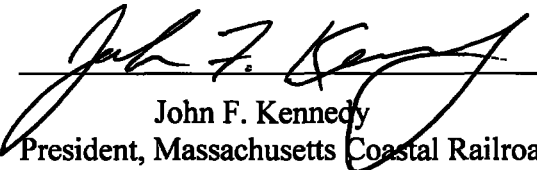
Title: VP Strategic Planning

Dated: November 10, 2009

VERIFICATION
Pursuant to 28 U.S.C. 1746

I verify under penalty of perjury that I am the President of Massachusetts Coastal Railroad, LLC; that I am duly authorized to sign, verify and file the foregoing Application and the exhibits thereto on behalf of Massachusetts Coastal Railroad, LLC; and that such matters as are set forth therein are true and correct to the best of my knowledge, information and belief.

Executed on November 6, 2009




John F. Kennedy
President, Massachusetts Coastal Railroad LLC

VERIFICATION

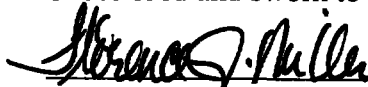
State of Florida)
) ss
County of Duval)

Lester M. Passa, being duly sworn, states that he is the Vice President Strategic Planning of CSX Transportation, Inc.; that he is duly authorized to sign, verify and file the foregoing Application and the exhibits thereto on behalf of CSX Transportation, Inc.; and that such matters as are set forth therein are true and correct to the best of his knowledge, information and belief.

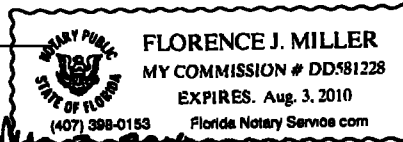


Lester M. Passa

Subscribed and sworn to before me this 6th day of November 2009.



Notary Public




My Commission expires: Aug 3, 2010

DECLARATION OF ANDREW J. REARDON
Pursuant to 28 U.S.C. 1746

I declare under penalty of perjury that I am the Corporate Secretary of Massachusetts Coastal Railroad, LLC; that John F. Kennedy is President of Massachusetts Coastal Railroad, LLC; and that John F. Kennedy is duly authorized to sign, verify and file the foregoing Application and exhibits thereto on behalf of Massachusetts Coastal Railroad, LLC.

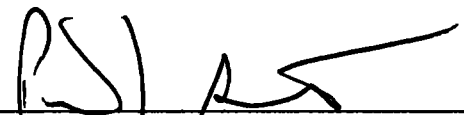
Executed on November 6, 2009



Andrew J. Reardon
Secretary, Massachusetts Coastal Railroad LLC

CERTIFICATE

Peter J. Shudtz certifies this 5th day of November, 2009, that he is Counsel to CSX Transportation, Inc.; that Lester M. Passa is Vice President Strategic Planning of CSX Transportation, Inc.; and that he is duly authorized to sign, verify and file the foregoing Application and exhibits thereto on behalf of CSX Transportation, Inc.


Peter J. Shudtz

APPENDIXES AND EXHIBITS

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Appendixes

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Exhibits

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Exhibit 2	Agreement between Applicants.
Exhibits 3-14	Not Applicable
Exhibit 15	Minor Transaction Operating Plan.
Exhibits 16-21	Not Applicable

APPENDIX 1 - Impacts of the proposed transaction upon carrier employees.

**CSX Transportation, Inc.
Employees Affected by Mass Coastal's Purchase of CSXT's Permanent Freight Easement
over the South Coast Lines, MA**

CSXT does not anticipate that the sale of the Lines to the Commonwealth will have a significant impact on its employees.

As a result of the First Closing, CSXT will not abolish any positions, will not furlough any employees, and will not relocate any positions. The only employee impact that CSXT anticipates from the First Closing is that the sale of the permanent freight easement over the South Coast lines to Mass Coastal and the grant of the Mass Coastal Trackage Rights will somewhat reduce the overtime opportunities for two train crews who work out of Middleboro.

APPENDIX 1 - Impacts of the proposed transaction upon carrier employees.

Massachusetts Coastal Railroad, LLC
Employees Affected by Mass Coastal's Purchase of CSXT's Permanent Freight Easement
over the South Coast Lines, MA

Mass Coastal expects to hire approximately four to five new employees to operate the South Coast Lines, including approximately one locomotive engineer, one conductor and two to three maintenance-of-way employees.

Appendix 2A - Opinion of Counsel for Massachusetts Coastal Railroad, LLC

LAW OFFICES

JOHN H. BROADLEY & ASSOCIATES, P.C.

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INTERNET
JBROADLEY@ALUM.MIT.EDU

November 6, 2009

JOHN H. BROADLEY

Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
Washington, DC 20423

Re: Finance Docket No. 35314, *Massachusetts Coastal Railroad, LLC-Acquisition-CSX Transportation, Inc.*

Dear Acting Secretary Quinlan:

I am counsel for Massachusetts Coastal Railroad, L.L.C. ("Mass Coastal"). I am familiar with the Application of Mass Coastal and CSX Transportation, Inc. ("CSXT") for Surface Transportation Board ("Board") approval of Mass Coastal's acquisition from CSXT of the permanent freight easement over approximately 32.68 miles of CSXT lines consisting of (1) CSXT's New Bedford Subdivision, which is 18.40 miles between CSXT milepost QN 13.40 at Cotley Jct., MA, and CSXT milepost QN 31.80 at New Bedford, MA, (2) the CSXT Fall River Subdivision, which is 14.20 miles between CSXT milepost QNF 0.00 at Myricks, MA and CSXT milepost QNF 14.20 at Fall River, MA, and (3) 0.08 mile of the North Dartmouth Industrial Track between CSXT mileposts QND 0.00 and QND 0.08. Mass Coastal is purchasing the permanent freight easement CSXT has retained as a result of the sale of those lines to the Massachusetts Department of Transportation.

I am of the opinion that the transaction described in the Application meets the requirements of law and will be legally authorized and valid if approved by the Board.

Yours very truly,



John Broadley

Appendix 2B - Opinion of Counsel for CSX Transportation, Inc.



Peter J. Shudtz
Vice President-Federal Regulation and
Washington Counsel

Suite 560, National Place
1331 Pennsylvania Avenue, NW
Washington, DC 20004
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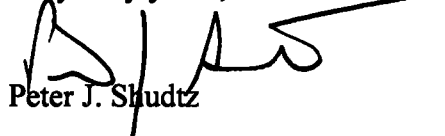
Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
Washington, DC 20423

Re: **Finance Docket No. 35314, *Massachusetts Coastal Railroad, LLC-Acquisition-
CSX Transportation, Inc.***

Dear Acting Secretary Quinlan:

As counsel for CSX Transportation, Inc. ("CSXT"), I am familiar with the Application of the Massachusetts Coastal Railroad, LLC ("Mass Coastal") and CSXT for Mass Coastal's acquisition from CSXT of the permanent freight easement over approximately 32.68 miles consisting of (1) the New Bedford Subdivision, which is 18.40 miles between milepost QN 13.40 at Cotley Jct. and milepost QN 31.80 at New Bedford, (2) the Fall River Subdivision, which is 14.20 miles between milepost QNF 0.00 at Myricks and milepost QNF 14.20 at Fall River, and (3) 0.08 mile of the North Dartmouth Industrial Track between milepost QND 0.00 and QND 0.08, where Mass Coastal will purchase the permanent freight easement CSXT has retained as a result of the sale of the Line to the Massachusetts Department of Transportation, and am of the opinion that the transaction described in said Application meets the requirements of law and will be legally authorized and valid, if approved by the Board.

Very truly yours,



Peter J. Shudtz

Exhibit 1 - Maps.

See Color Maps at the end of this Application

Exhibit 2 - Agreement between Applicants.

**Effective as of
May 14, 2010**

**PURCHASE & SALE AGREEMENT
OF
PERMANENT FREIGHT EASEMENT**

Between

**CSX Transportation, Inc.
and
Massachusetts Coastal Railroad, LLC**

Covering

Permanent Freight Easement

in the line of railroad being retained by CSXT in its sale of the South Coast Lines, a total of approximately 32.68 miles, including (1) New Bedford Subdivision – 18.40 miles between milepost QN 13.40 at Cotley Jct. and milepost QN 31.80 at New Bedford, (2) Fall River Subdivision – 14.20 miles between milepost QNF 0.00 at Myricks and milepost QNF 14.20 at Fall River, and (3) 0.08 mile of the North Dartmouth Industrial Track between milepost QND 0.00 and milepost QND 0.08, to the Commonwealth of Massachusetts.

PURCHASE & SALE AGREEMENT OF PERMANENT FREIGHT EASEMENT

THIS PURCHASE & SALE AGREEMENT OF PERMANENT FREIGHT EASEMENT ("PSA") is made this 14th day of May, 2010, by and between **CSX TRANSPORTATION, INC.**, a Virginia corporation, along with its subsidiaries and affiliates (collectively, "Seller") and **Massachusetts Coastal Railroad, LLC**, a Massachusetts limited liability company ("Purchaser").

WITNESSETH:

WHEREAS, Seller sold the South Coast Lines a total of approximately 32.68 miles, including (1) New Bedford Subdivision – 18.40 miles between milepost QN 13.40 at Cotley Jct. and milepost QN 31.8 at New Bedford, (2) Fall River Subdivision – 14.20 miles between milepost QNF 0.0 at Myricks and milepost QNF 14.2 at Fall River, and (3) 0.08 mile of the North Dartmouth Industrial Track between milepost QND 0.00 and milepost QND 0.08, to the Commonwealth of Massachusetts ("Commonwealth"), and retained a permanent freight easement (the "Freight Easement") in the South Coast Lines. CSXT previously sold the track and material and leased the real estate between milepost QND 0.08 and milepost QND 6.00 to the Bay Colony Railroad Corporation ("BCLR"); therefore, the Freight Easement does not include the track owned by the BCLR. The Freight Easement (also referred to as the "Line") is more particularly shown in **Exhibit A**;

WHEREAS, Commonwealth has consented to the transfer of the Freight Easement, pursuant to the Definitive Agreement between Seller and Commonwealth dated October 10, 2008;

WHEREAS, it is Seller's goal in entering into this PSA to reduce its capital needs, rationalize its rail system and restructure its business;

WHEREAS, Purchaser desires to purchase the Line from Seller, in accordance with the terms and conditions stated in this PSA, in order to provide rail service to current and future customers located on the Line and to provide common carrier rail services; and

WHEREAS, Purchaser desires to obtain and Seller desires to grant certain overhead trackage rights to Purchaser over Seller's lines from Middleboro to Taunton, MA, through a separately negotiated Trackage Rights Agreement between Seller and Purchaser, more particularly described in **Exhibit E**.

NOW, THEREFORE, in consideration of the premises, the mutual covenants, and the other good and valuable consideration set forth herein, Seller and Purchaser agree as follows:

1. PROPERTY COVERED.

(a) Except as otherwise provided herein and subject to the terms and conditions hereof, Seller hereby sells the Freight Easement to Purchaser effective on the Commencement Date, as hereinafter defined, provided that the Freight Easement shall be purchased in its "AS IS, WHERE IS" CONDITION AND WITHOUT ANY EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF TITLE, MERCHANTABILITY, HABITABILITY, OR FITNESS FOR A PARTICULAR PURPOSE. Purchaser acknowledges that it has inspected the Line and accepts it in its current condition and Purchaser deems it appropriate for Purchaser's intended use. Purchase of the Freight Easement is subject to all existing agreements, encroachments, claims, easements, occupancies, grants, reservations, deed obligations and similar covenants, rights, title defects and other impediments, whether or not recorded and whether or not this PSA provides actual notice thereof. Purchaser acknowledges that the South Coast Lines are owned by the Commonwealth, and Purchaser will enter into separate operating and maintenance agreement(s) and assignment of third party agreements with the Commonwealth.

(b) Except as otherwise provided herein, Purchaser shall have the exclusive right to conduct rail freight operations on the Line, other than the rights retained by the Commonwealth in the Freight Easement. In addition, Purchaser shall not grant to any third party any trackage, haulage or other rights whatsoever to conduct rail freight operations on the Line without the Commonwealth's consent.

2. RIGHT TO POSSESSION.

(a) On the Commencement Date, Seller will deliver the Freight Easement of the Line to Purchaser; provided, however, that Seller will have three (3) months after said Commencement Date in which to remove, at its sole expense and without unreasonable interference to Purchaser's operations, all rolling stock and personal property described on **Exhibit B**.

(b) Purchaser acknowledges that this PSA is subject to the rights of the Commonwealth to the extent the Commonwealth has rights over certain of the tracks within the Line.

3. DEFAULT.

(a) If Purchaser breaches any material covenant or obligation under this PSA prior to the Commencement Date or within two years after the Commencement Date, and if such breach continues without cure for a period of 60 calendar days from the date of receipt of written notice of such breach, Seller may terminate this PSA without further notice, provided that if the breach would reasonably take more than 60 days to cure and the Purchaser has commenced such cure within such 60-day period and diligently pursues such cure, Purchaser shall have an additional 30 days to complete such cure. Purchaser acknowledges and agrees that if Purchaser materially breaches this PSA, Seller shall have the right, in addition to exercising its rights under the prior sentence, to act as Purchaser's agent to commence discontinuance or other proceedings with the STB, as hereinafter defined, to suspend the Trackage Rights Agreement covering Middleboro to Taunton, MA (**Exhibit E**), to pursue specific performance of Purchaser's obligations, and to pursue all other rights and remedies at law or in equity, including without limitation, compensation for traffic re-routing costs, crew costs, equipment costs, demurrage penalties and fuel expense. Any material breach of the Trackage Rights Agreement shall also constitute a breach hereof.

(b) If Seller breaches any material covenant or obligation under this PSA prior to the Commencement Date, and if such breach continues without cure for a period of 60 calendar days from the date of receipt of written notice of such breach, Purchaser may terminate this PSA without further notice, provided that if the breach would reasonably take more than 60 days to cure and the Seller has commenced such cure within such 60-day period and diligently pursues such cure, Seller shall have an additional 30 days to complete such cure.

(c) After the Commencement Date with respect to the Seller, and two years after the Commencement Date with respect to the Purchaser, if either Purchaser or Seller breaches any material covenant or obligation under this PSA and if such breach continues without cure for a period of 60 calendar days from the date of receipt of written notice of such breach, the non-breaching party may seek specific performance and pursue all other rights and remedies at law or in equity, including without limitation, compensation for traffic re-routing costs, crew costs, equipment costs, demurrage penalties and fuel expense. The parties acknowledge that damages will be an inadequate and/or incomplete compensation for losses caused by a material breach of this PSA.

4. PSA PAYMENTS

5. COMMENCEMENT DATE, STB REVIEW and LABOR.

(a) The parties shall file with the Surface Transportation Board ("STB") and any other governmental authority with jurisdiction over the Line, any and all applications, petitions, notices, and/or secure any and all approvals from the STB and other such governmental authorities, that may be required for the PSA of the Line and the transfer of rail operations on the Line to Purchaser.

(b) Purchaser's operation of the Line shall commence on **May 14, 2010**, contingent upon the approval of the STB authorizing the consummation hereof (the "Commencement Date") and satisfaction of such other conditions to closing as are set forth in the Transaction Agreement executed by the parties on or about **October 30, 2009**. As of the Commencement Date, Purchaser and Seller shall have jointly determined that they have complied with all STB conditions imposed on this transaction, if any, so that Purchaser is authorized by law to commence the operations over the Line.

(c) Each party to this PSA shall be responsible for all costs of protection of its respective employees arising out of STB approval of this transaction under 49 U.S.C. §11323 and implementation of the transaction, the exercise or performance by Seller or Purchaser of any rights or obligations hereunder, the termination of this PSA, or Purchaser's abandonment or discontinuance of operations on the Line, whether such costs are attributable to protective conditions or benefits imposed by any judicial, regulatory or governmental body or are required to be paid pursuant to collective bargaining or other agreements. Purchaser shall consider for employment any of Seller's employees on the Line who, in Purchaser's sole judgment, are qualified for the positions for which they apply and make proper application therefor; provided, however, that Purchaser shall have no obligation to hire any such applicant.

6. COMPLIANCE WITH LAWS.

Purchaser shall comply with all applicable Federal, State and local laws, ordinances and regulations in its use and operation of the Line, and Purchaser hereby agrees to indemnify and hold Seller harmless from and against any and all liability, claims, costs (including attorney's fees), damages and expenses arising in any manner out of its failure to comply with such laws, ordinances or regulations.

7. MAINTENANCE, IMPROVEMENTS, AND ADDITIONAL ASSETS.

After the Commencement Date, Seller shall have no future duties or obligations with relation to the repair, maintenance, existence and operation of the Line and all other improvements or fixtures now or hereafter located on the Line.

8. AUTHORITY TO PURCHASE AND SELL.

As of the Commencement Date, Purchaser and Seller will have the necessary corporate authority and approval to enter this PSA. The parties represent and warrant to each other that each party has secured all requisite corporate and governmental authority to enter into this PSA and to operate or permit operation in accordance with the terms hereof.

9. ENVIRONMENTAL.

(a) For the purposes of this Section 9 "Environmental Claim" shall have the same meaning given to that term in Section 18.1 of the October 10, 2008 Definitive Agreement between Seller and the Commonwealth of Massachusetts.

(b) Notwithstanding Section 1(a) of this PSA, Seller shall indemnify and hold Purchaser harmless against all Environmental Claims and all costs relating to Environmental Claims arising with respect to the South Coast Lines or the Freight Easement that are predicated on events that occurred before the Commencement Date under this PSA.

(c) Purchaser shall indemnify and hold Seller harmless against all Environmental Claims and all costs relating to Environmental Claims arising with respect to the South Coast Lines or the Freight Easement that are predicated on events that occurred after the Commencement Date under this PSA.

(d) Allocation of liability. In case both Purchaser and its predecessors contributed to the release that resulted in an environmental claim, liability shall be allocated between Purchaser and Seller in accordance with their relative contribution to the release.

10. ASSIGNMENT AND SUB-SALE OF FREIGHT EASEMENT.

(a) Assignment. This PSA may not be assigned, or in any manner transferred, without the advance written consent of Seller, which consent may be withheld in the Seller's sole and absolute discretion. The Freight Easement may only be transferred or assigned by Purchaser pursuant to the Release Deed for the Line granted by Seller to The Commonwealth of Massachusetts acting through the Massachusetts Department of Transportation (the "Release Deed").

(b) Assignment of Certain of Seller's Contracts. All third party agreements will be assigned by the Seller to the Commonwealth. Third party agreements directly relating to or affecting rail freight operations on the Line shall be disclosed to Purchaser. **Exhibit C** is a list of third party agreements to be assigned to the Commonwealth under this Section. Agreements discovered subsequent to the Commencement Date shall be assigned by Seller in good faith applying the principles of this Section. .

11. SOLE BENEFIT.

This PSA is intended for the sole benefit of the parties hereto. Nothing in this PSA is intended or may be construed to give any person, firm, corporation, or other entity, other than the parties hereto and their respective officers, agents, employees, parent corporation, subsidiaries, affiliates, successors, and permitted assigns, any right or benefit pursuant to any

provision or term of this PSA, and all provisions and terms of this PSA are and will be for the sole and exclusive benefit of the parties to this PSA.

12. WAIVER.

Any waiver at any time by one party of a breach hereof by the other party will extend only to the particular breach so waived and will not impair or affect the existence of any provision, condition, obligation, or requirement of this PSA or the right of either party hereto thereafter to avail itself of any rights under this PSA with respect to a subsequent breach. No provision of this PSA shall be waived by any act or knowledge of the parties hereto, but only by a written instrument signed by the party waiving a right hereunder.

13. AMENDMENT.

No provision of this PSA shall be modified without the written concurrence of the parties hereto. This PSA includes attachments and exhibits appended hereto and represents the entire understanding of the parties hereto, and to that extent supersedes any prior understandings, written or oral.

14. NOTICES.

All notices required to be given under this PSA shall be in writing, signed by or on behalf of the party giving the same, and transmitted to the addresses shown in **Exhibit D** or such successor addresses as that party may specify by notice hereunder. Such notices shall be transmitted by United States registered or certified mail return receipt requested or by facsimile, with confirmed receipt, addressed to the officers and addresses shown in **Exhibit D**. All notices shall be effective on the day following confirmed receipt of the letter or facsimile.

15. HEADINGS.

The headings of the Paragraphs of this PSA are inserted for convenience only and are not intended to govern, limit or aid in the construction of any term or provision of this PSA.

16. [Intentionally blank.]

17. COMMONWEALTH.

The parties acknowledge and accept that the Line is owned by the Commonwealth and that Purchaser and the Commonwealth have entered into separate maintenance and operating agreement(s).

18. [Intentionally blank.]

19. [Intentionally blank.]

20. REGULATORY ACTIVITIES.

(a) Seller shall have the right to repurchase from Purchaser all or any portion of the South Coast Lines that Purchaser determines to seek to sell or abandon at any time (the "Disposal Lines"). Whenever Purchaser determines to seek to sell or abandon the Disposal Lines, the following shall occur, except where Purchaser seeks to Transfer, as that term is defined in the Release Deed, the Disposal Lines to a Related Party, as that term is defined in the Release Deed:

- (i) Purchaser shall give Seller 60 days advance written notice prior to taking any public action relating to the potential sale or abandonment of the Disposal Lines.
- (ii) Within 45 days of receiving notice from Purchaser, Seller shall notify Purchaser if it will exercise its right to repurchase the Disposal Lines.
- (iii) If Seller notifies Purchaser that it will repurchase the Disposal Lines from the Purchaser, then the repurchase price will be determined as follows:
 - a. If the Transfer is sale of the Disposal Lines on or before the fifth anniversary of the Commencement Date, then Seller shall pay the Purchaser the Purchase Price set under Section 4 less a pro rated share of the Purchase Price owed by Purchaser to Seller.
 - b. If the Transfer is sale of the Disposal Lines after the fifth anniversary of the Commencement Date, then Seller shall pay the Purchaser the lesser of the going concern value, as calculated pursuant to 49 C.F.R. 1151.4(c), of the Disposal Lines or an offer to purchase the Disposal Lines, less a pro rated share of the Purchase Price owed by Purchaser to Seller under Section 4. For example purposes only, if Purchaser decides to sell the entire South Coast lines and the going

concern value is \$1,000,000, and the outstanding Purchase Price is \$350,000, then Seller shall pay Purchaser \$650,000 to repurchase the Disposal Lines.

c. If the Transfer is abandonment of the Disposal Lines, then the going concern value for the Disposal Lines will be Zero Dollars (\$0.00), and Seller shall pay the Purchaser the Purchase Price set under Section 4 less a pro rated share of the Purchase Price owed by Purchaser to Seller.

(iv) Seller and Purchaser shall consummate the repurchase of the Disposal Lines by Seller within 15 days of the service of any final decision by the STB, or a successor agency, required to authorize the transfer. Purchaser shall deliver documents to Seller in the form delivered by Seller to Purchaser under this PSA.

(v) If Seller does not notify Purchaser that it intends to repurchase the Disposal Lines, Purchaser shall be free to sell or abandon the Disposal Lines in accordance with the provisions of the Release Deed.

(b) If Purchaser rationalizes any portion of the Line, the obligations of this PSA shall terminate as to the same; and the parties shall, in good faith, discuss the extent to which the terms and conditions of this PSA need to be amended to reflect such rationalization.

(c) If Purchaser rationalizes the entire Line, this PSA and all obligations hereunder which do not survive rationalization shall terminate.

21. GOVERNING LAW.

This PSA and all other agreements between the parties associated with this transaction shall be governed by the laws of the Commonwealth of Massachusetts.

22. ARBITRATION.

Any dispute arising between the parties hereto with respect to any of the provisions hereof which cannot be settled by the parties themselves within sixty (60) calendar days of either party giving the other notice of the dispute shall be settled under the Commercial Arbitration Rules of the American Arbitration Association. The arbitration proceeding shall be held in Boston, MA. The decision of the arbitrator(s) shall be final and conclusive upon the parties hereto and shall be enforceable in a court of competent jurisdiction. Each party to the

arbitration shall pay the compensation, costs, fees and expenses of its own witnesses, exhibits and counsel. The compensation, costs and expenses of the arbitrator(s), if any, shall be borne equally by the parties hereto. The arbitrator(s) shall not have the power to award consequential or punitive damages or to determine violations of criminal laws or antitrust laws.

23. COUNTERPARTS.

This PSA may be executed in any number of counterparts, each of which may be deemed an original for any purpose.

24. CONFIDENTIALITY.

(a) Each party hereto covenants that all information and documents concerning the other party known to, or received or reviewed by, the first party, its employees, agents or representatives, in connection with this PSA and the transactions contemplated hereby shall be maintained in confidence and not disclosed or utilized (other than in connection with the transactions contemplated hereby) by the first party, its employees, agents or representatives, without the other party's prior written consent, unless (i) such information and documents were, are now, or become generally available to the public (but not as a result of a breach of any duty of confidentiality by which the first party, or any of its employees, agents and representatives, is bound), (ii) such information and documents were known to the first party prior to their disclosure to the first party by the other party in connection with this PSA, as demonstrated by the first party's written records, (iii) such information and documents are disclosed by a third party, or (iv) such items are required to be disclosed pursuant to a judicial order or applicable law, rule or regulation or to the parties' insurers. Notwithstanding anything herein to the contrary, each party may disclose (without prior notification to, or approval or consent by, the other party), to taxing authorities and/or to such party's representatives, outside counsel and advisors, any confidential information that is required to be disclosed in connection with such party's tax filings, reports, claims, audits, and litigation.

(b) In the event that either party hereto, or any of its employees, agents or representatives, becomes legally compelled to disclose any such information or documents, the disclosing party shall provide the other party with prompt notice before such disclosure so that the other party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this PSA, or both. In the event that such protective order or other remedy is not obtained, or that the other party waives compliance with the provisions of this PSA, the disclosing

party shall furnish only that portion of the information or documents that it is advised by written opinion of counsel is legally required.

(c) It is agreed that money damages would not be a sufficient remedy for any breach of this Paragraph 24 and that either party hereto shall be entitled to specific performance as a remedy for any such breach. Such remedy shall not be deemed to be the exclusive remedy for breach of this Paragraph 24 but shall be in addition to all other remedies available at law or in equity. Each party hereto further agrees and covenants that it shall not use any information or document that it obtains or has obtained in connection with this PSA in any judicial or administrative proceeding brought against the other party, except in a proceeding brought hereunder. With respect to any judicial or administrative proceeding brought by a third party challenging any provision of this PSA or relating to any action or inaction required by this PSA, the party against whom such proceeding is brought may use for purposes of defending such proceeding information or documents that it obtains or has obtained in connection with this PSA; provided, however, that the party against whom such proceeding is brought shall consult with and obtain the written consent of the other party prior to such use of information or documents.

25. LIABILITY.

Subject to the provisions of Section 9 of this PSA:

(a) Seller shall not be liable for any loss, damage, or claim to or pertaining to the Line or the property of Purchaser or any third party, or for personal injury or death of any person, that result from Purchaser's operation, use or interest in the Line. Purchaser will defend, indemnify and hold harmless Seller against any asserted claim.


(b) Purchaser shall not be liable for any loss, damage, or claim to or pertaining to the Line or the property of Seller or any third party, or for personal injury or death of any person, that result from Seller's operation, use or interest in the Line. Seller will defend, indemnify and hold harmless Purchaser against any asserted claim.

26. SEVERABILITY.

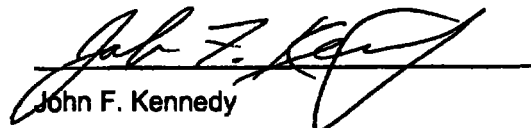
If any part of this PSA is determined to be invalid, illegal or unenforceable, such determination shall not affect the validity, legality or enforceability of any other part of this PSA and the remaining parts of this PSA shall be enforced as if such invalid, illegal or unenforceable part were not contained herein.

IN WITNESS WHEREOF, the parties hereto have caused this PSA to be executed in duplicate, each part being an original, as of the day and year first above written.

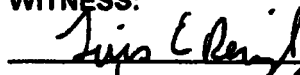
WITNESS:


Name: Daniel J. Wahle
Title: VP- Marketing

MASSACHUSETTS COASTAL RAILROAD, LLC


John F. Kennedy
President

WITNESS:


Name: Louis E. Renzel
Title: VP- Strategic Infrastructure

CSX TRANSPORTATION, INC.

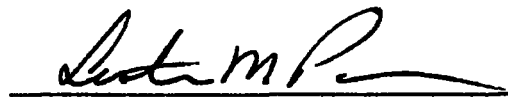

Lester M. Passa
VP Strategic Planning

EXHIBIT A

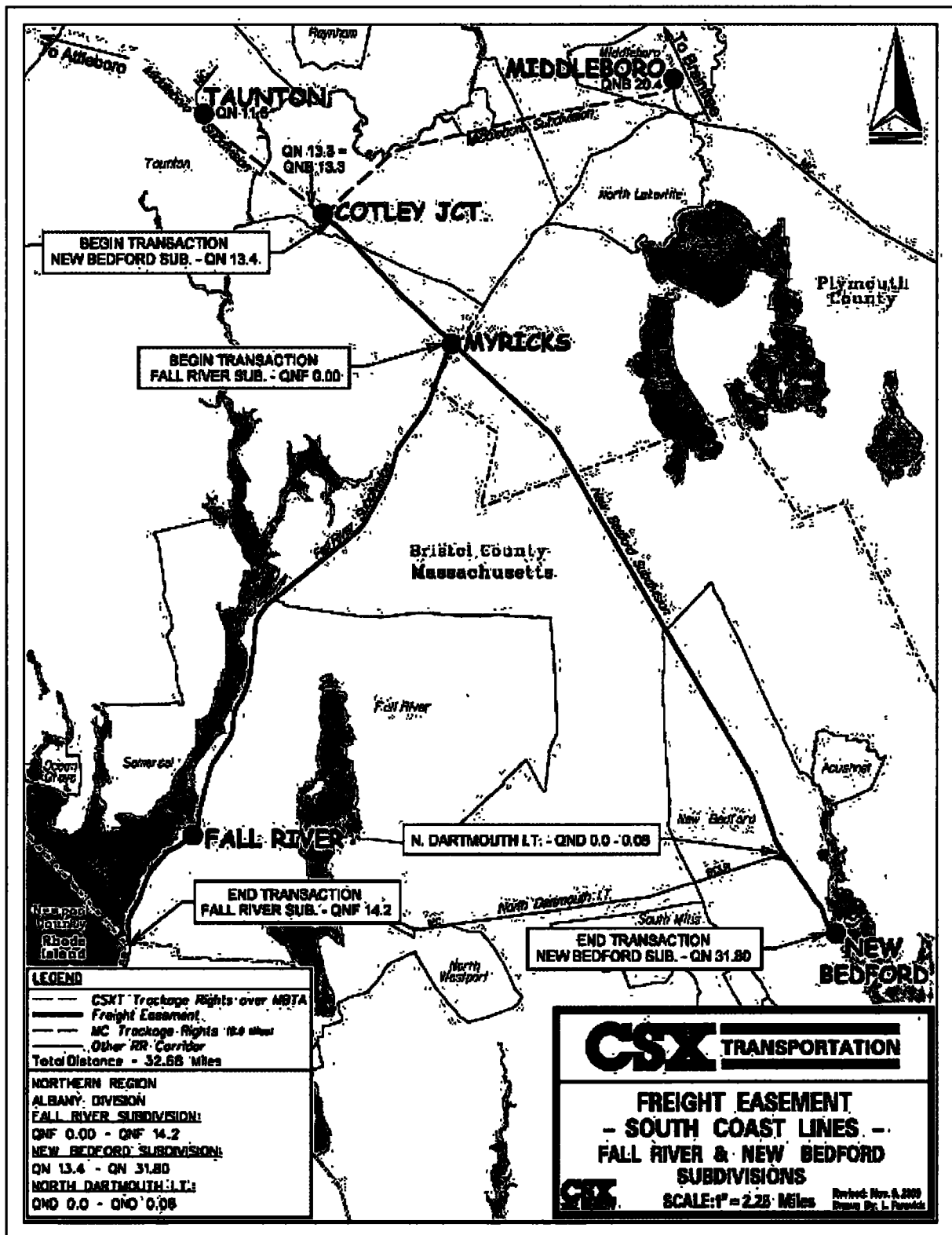


EXHIBIT B

All CSXT rolling stock and personal property.

EXHIBIT C

THIRD PARTY AGREEMENTS DIRECTLY RELATING TO OR AFFECTING RAIL FREIGHT OPERATIONS

CONTRACT #	NAME	DATE	MILEPOST	TYPE
CR 000248	FALL RIVER LINE PIER INC	02/17/1966	QNF 11.52	SIDETRACK
CR 000880 001	BORDEN AND REMINGTON CO	03/08/1922	QNF 12.00	SIDETRACK
CR 002040	BORDEN AND REMINGTON CO	12/09/1925	QNF 11.52	SIDETRACK
CR 003123	UNITED STATES OF AMERICA	10/29/1957	QN 28.94	SIDETRACK
CR 003694	MARITIME TERMINAL INC	01/27/1964	QN 31.41	SIDETRACK
CR 005665	FIRESTONE RUBBER AND LATEX	04/29/1949	QNF 11.52	SIDETRACK
CR 007933	NORTHEAST PRODUCTS CO INC	10/03/1962	QNF 11.52	SIDETRACK TRACK LEASE
CR 011665	MASSACHUSETTS COMMONWEALTH OF	09/22/1915	QN 31.00	SIDETRACK
CR 151944	BRISTOL COUNTY OF	06/11/1969	QN 30.42	CROSSING - PUBLIC CROSSING - SIGNALS
CR 151944 100	NEW BEDFORD CITY OF	06/11/1969	QN 30.42	CROSSING - PUBLIC CROSSING - SIGNALS
CR 153316	MASSACHUSETTS COMMONWEALTH OF	09/24/1969	QN 26.94	CROSSING - OVERPASS
CR 154833	MASSACHUSETTS COMMONWEALTH OF	01/29/1970	QN 26.94	CROSSING - OVERPASS
CR 163928 100	NEW BEDFORD CITY OF	10/20/1971	QN 25.19	CROSSING - PUBLIC
CR 165085	CAMPANELLA AND CARDI	05/29/1959	QNF 9.42	CROSSING - PRIVATE
CR 168266	MURPHY WILLIAM	11/21/1934	QNF 0.04	CROSSING - PRIVATE
CR 174703	MASSACHUSETTS COMMONWEALTH OF	01/18/1973	QN 31.80	CROSSING - PUBLIC
CR 174846	MASSACHUSETTS COMMONWEALTH OF	09/23/1964	QNF 14.00	CROSSING - OVERPASS
CR 175579	FREETOWN TOWN OF	05/30/1963	QN 24.10	CROSSING - PUBLIC
CR 175585	NEW BEDFORD CITY OF	06/29/1964	QN 31.75	CROSSING - PUBLIC
CR 175957	FALL RIVER CITY OF	02/26/1952	QNF 11.83	CROSSING - OVERPASS
CR 175958	FALL RIVER CITY OF	02/07/1961	QNF 9.65	CROSSING - OVERPASS
CR 177460 100	MASSACHUSETTS COMMONWEALTH OF	10/20/1958	QNF 14.00	CROSSING - PRIVATE CROSSING - PUBLIC
CR 179311	FALL RIVER CITY OF	06/29/1928	QNF 10.02	CROSSING - OVERPASS
CR 210098	FALL RIVER COUNTRY CLUB	10/21/1976	QNF 7.72	CROSSING - PRIVATE
CR 216715	NEW ENGLAND GAS CO	10/15/1958	QNF 13.35	CROSSING - PRIVATE
CR 217231	GURNEY CHARLES E	09/16/1935	QN 19.02	CROSSING - PRIVATE
CR 217236	ST VINCENTS ORPHAN HOME	10/18/1933	QNF 8.75	CROSSING - PRIVATE
CR 217362	MASSACHUSETTS COMMONWEALTH OF	05/21/1947	QNF 6.00	CROSSING - PUBLIC
CR 217784	MASSACHUSETTS COMMONWEALTH OF	04/29/1952	QNF 11.45	CROSSING - PRIVATE
CR 224714	FALL RIVER CITY OF	06/16/1978	QNF 14.00	CROSSING - PRIVATE CROSSING - SIGNALS
CR 236790	FALL RIVER CITY OF	10/24/1979	QNF 14.04	CROSSING - PRIVATE
CR 238260	AGWAY INC	05/11/1980	QN 15.70	SIDETRACK
CR 279129	SHELL OIL	04/11/1985	QNF 9.16	CROSSING - OVERPASS
CR 279746	FIRESTONE TIRE AND RUBBER	12/28/1950	QNF 11.52	SIDETRACK
CR 288156	MASSACHUSETTS COMMONWEALTH OF	01/08/1987	QNN 17.01	CROSSING - OVERPASS
CR 333089	MASSACHUSETTS BAY TRANSP	01/15/1999	QNF 9.79	CROSSING

EXHIBIT C**(continued)**

CONTRACT #	NAME	DATE	MILEPOST	TYPE
CSX 047943	PARALLEL PRODUCTS INC	10/26/2004	QN 13.96	SIDETRACK
CSX 049351	SID WAINER AND SON	08/05/2005	QN 29.34	SIDETRACK
CSX 049351 001	MARITIME TERMINAL	08/05/2005	QN 29.34	SIDETRACK
CSX 053714	NEW BEDFORD CITY OF	09/28/2005	QN 31.00	TRACK LEASE REAL ESTATE - LAND
CSX 053714 001	NEW BEDFORD REDEVELOPMENT	09/28/2005	QN 31.00	TRACK LEASE REAL ESTATE - LAND
DOT 537304 C	MASSACHUSETTS DEPT OF	05/29/2007	QNN 14.00	CROSSING - OVERPASS
DOT 537325 V	MASSACHUSETTS DEPT OF	02/27/2002	QN 30.00	CROSSING - OVERPASS
DOT 537371 W	MASSACHUSETTS COMMONWEALTH OF	01/14/2004	QNF 8.32	CROSSING - OVERPASS
DOT 546593 E	MASSACHUSETTS HIGHWAY DEPT	12/21/2005	QNF 10.20	CROSSING
NYC 041989	HESS LNG LLC	07/30/2001	QNF 9.19	SIDETRACK (2)
NYC 043466	CAMPANELLI FREETOWN LLC	05/03/2002	QNF 4.19	SIDETRACK - CASH &
NYC 043466 001	WEYERHAEUSER CO	05/03/2002	QNF 4.21	SIDETRACK - USER

TOTAL NUMBER OF AGREEMENTS

48

EXHIBIT D

List of Names and Addresses for Notice Purposes

Notices to SELLER shall be delivered to:

**Property Services Department
Director Contract Management
CSX Transportation
500 Water Street, J180
Jacksonville, FL 32202**

With copies to:

**Director Network & Joint Facility Services
CSX Transportation
500 Water Street, J200
Jacksonville, FL 32202**

**Director – Rail Network Marketing
CSX Transportation
500 Water Street, J855
Jacksonville, FL 32202**

Notices to PURCHASER shall be delivered to:

**John F. Kennedy
President
Massachusetts Coastal Railroad, LLC
68 Center Street, Suite 20
Hyannis, MA 02601**

EXHIBIT E

**Trackage Rights Agreement
Middleboro, MA to Taunton, MA**

TRACKAGE RIGHTS AGREEMENT
Between
CSX TRANSPORTATION, INC.
And
MASSACHUSETTS COASTAL RAILROAD, LLC

THIS AGREEMENT, entered into as of this 14th day of May 2010, by and between CSX TRANSPORTATION, INC., a Virginia corporation, (hereinafter referred to as "Owner") and Massachusetts Coastal Railroad, LLC, a Massachusetts limited liability company, (hereinafter referred to as "User");

WITNESSETH:

WHEREAS, Owner sold the line of railroad between Middleboro, MA and Taunton, MA, among other lines, to the Commonwealth of Massachusetts, pursuant to an agreement dated December 16, 1982 (the "Old Colony Sale") and retained an exclusive and permanent freight operating easement; and;

WHEREAS, as a provision of the Old Colony Sale, Owner has the right to grant trackage rights to third parties; and;

WHEREAS, User has requested trackage rights over the line of railroad between Middleboro, MA and Taunton, MA; and;

WHEREAS, Owner is agreeable to granting such rights to User under the following terms and conditions;

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE 1. GRANT OF TRACKAGE RIGHTS

Subject to the terms and conditions herein provided, Owner hereby grants to User the right to operate its trains (locomotives or cars) with its own crews (hereinafter referred to as the "Trackage Rights") over the following segments of Owner's railroad shown on the plan attached hereto, made a part hereof and marked Exhibit "I" (hereinafter referred to as the "Subject Trackage"):

(i) Owner's Middleboro Subdivision, between User's interchange tracks at Taunton, at approximate milepost QN 11.6 and User's freight operation at milepost QN 13.4, a distance of approximately 1.8 miles; and

(ii) Owner's Middleboro Subdivision, ⁵³connecting at milepost QN 13.3, between milepost

QNB 13.3 and User's interchange tracks at Middleboro, at approximate milepost QNB 20.4, a distance of approximately 7.1 miles

ARTICLE 2. USE OF SUBJECT TRACKAGE

- A. User's use of the Subject Trackage shall be in common with Owner and any other user of the Subject Trackage, and Owner's right to use the Subject Trackage shall not be diminished by this Agreement. Owner shall retain the exclusive right to grant to other persons rights of any nature in the Subject Trackage.
- B. Except as may otherwise be provided by this Agreement, User shall not use any part of the Subject Trackage for the purpose of switching, storage or servicing cars or the making or breaking up of trains, except that nothing contained herein shall, upon prior approval of Owner, preclude the emergency use by User of such auxiliary tracks as may be designated by Owner for such purposes.
- C. Owner shall have exclusive control of the management and operation of the Subject Trackage. User shall not have any claim against Owner for liability account of loss or damage of any kind in the event the use of the Subject Trackage by User is interrupted or delayed at any time from any cause.

ARTICLE 3. RESTRICTION ON USE

The Trackage Rights herein granted are granted for the sole purpose of User using same to connect User's local line segments and User shall not perform any local freight service whatsoever at any point located on Subject Trackage.

ARTICLE 4. MISCELLANEOUS SPECIAL PROVISIONS

- A. When operating over the Subject Trackage, User's locomotives and crews shall be equipped to communicate with Owner on radio frequencies normally used by Owner in directing train movements on the Subject Trackage.
- B. Procedures for qualification and occupancy of the Subject Trackage shall be arranged by the local supervision of each carrier. All control and usage shall be subject to the approval of Owner's representative or his designee.

ARTICLE 5. COMPENSATION

- A. The factor to be used in calculating payments to be made by User for the Trackage Rights covered by this Agreement shall be _____ mile (hereinafter referred to as the "Current Charge"). Both parties agree that the mileage to be used for the compensation

calculation is 8.9 miles, unless otherwise agreed in writing by the parties.

- B. User shall pay Owner a sum computed by multiplying: (i) the Current Charge, as may be revised in accordance with Article 6, by (ii) the number of cars (loaded and empty) and locomotive units moved by User with its own crews and power over the Subject Trackage by (iii) the miles of Subject Trackage used. Each locomotive unit, for the purpose of this Agreement, shall be counted as one car. With respect to articulated units, the number of cars shall be determined by the AAR Car Type Code as defined in the UMLER Specification Manual. The second numeric in the Car Type Code field covering codes "Q" and "S" shall be the factor in determining the car count for an articulated unit. For example, AAR Car Type Code "S566" would equate to a five (5) car count as these type cars have five wells capable of handling 40' to 48' containers in each well. (Car count data for articulated units subject to change upon development of technology to separate units by Car Numbers.)
- C. On or before the 15th day of each calendar month during the term hereof, User shall provide Owner with an accurate count of loaded and empty cars and all locomotives traversing the Subject Trackage during the preceding calendar month. Owner shall on or about the tenth day of the following month render billing to User for User's use of the Subject Trackage computed in accordance with the terms and conditions of this Agreement.
- D. User shall furnish Owner information concerning all loaded and empty cars in Electronic Data Interchange (EDI) transmission between the carriers. This procedure shall be required at the time the Association of American Railroads (AAR) defines the standard reporting procedures for trackage rights carriers. The carriers shall determine the minimal data requirements.

ARTICLE 6. REVISION OF CURRENT CHARGE

- A. The Current Charge shall be subject to change to reflect any increases or decreases in labor, material and other costs as hereinafter provided.
- B. The Current Charge shall be revised upward or downward each year, beginning with the bill rendered for the month of July 2010 to compensate for the increase or decrease in the cost of labor and material, excluding fuel, as reflected in the Annual Indexes of Charge-Out Prices and Wage Rates (1977=100), included in "AAR Railroad Cost Indexes" and supplements thereto, issued by the Association of American Railroads (hereinafter referred to as "AAR"). In making such determination, the final "Material prices, wage rates and supplements combined (excluding fuel)" indexes for the East District shall be used. The Current Charge shall be revised by calculating the percent of increase or decrease in the index of the latest calendar year (2009 Index for the first annual adjustment) as related to the index for the previous calendar year (2008 Index for the first annual adjustment) and applying that percent to the Current Charge.

- C. By way of example, assuming "A" to be the "Material prices, wage rates and supplements combined (excluding fuel)" final index figure for 2008; "B" to be the "Material prices, wage rates and supplements combined (excluding fuel)" final index figure for 2009; "C" to be the Current Charge; and "D" to be the percent of increase or decrease; the revised Current Charge stated herein would be revised by the following formula:

$$(1) \frac{B - A}{A} = D \text{ (rounded to the third decimal place)}$$

$$(2) (D \times C) + C = \text{revised Current Charge (rounded to the third decimal place), effective July 1 of the year being revised.}$$

- D. In the event the base for the Annual Indexes of Charge-Out Prices and Wage Rates issued by the AAR shall be changed from the year 1977, appropriate revision shall be made. If the AAR or any successor organization discontinues publication of the Annual Indexes of Charge-Out Prices and Wage Rates, an appropriate substitute for determining the percentage of increase or decrease shall be negotiated by the parties hereto. In the absence of agreement, the parties shall submit the matter to binding arbitration as provided hereinafter.
- E. At the option of either party hereto, the compensation provided for in this Agreement shall be open for renegotiation every five (5) years from the Commencement Date, as hereinafter defined. In the event the parties fail to reach agreement upon such renegotiation, such failure shall not constitute a breach of this Agreement, and the parties shall continue to be bound by the terms of compensation provided in this Agreement until the matter is settled or submitted to binding arbitration.

ARTICLE 7. PAYMENT OF BILLS

- A. All payments called for under this Agreement shall be made by User within thirty (30) days after receipt of bills therefor. No payments shall be withheld because of any dispute as to the correctness of items in the bills rendered, and any discrepancies reconciled between the parties hereto shall be adjusted in the accounts of a subsequent month. The records of each party hereto, insofar as they pertain to matters covered by this Agreement, shall be open at all reasonable times to inspection by the other party for a period of two (2) years from the date of billing.
- B. Bills rendered pursuant to the provisions of this Agreement, other than those set forth in Article 5, shall include direct labor and material costs, together with the surcharges, overhead percentages and equipment rentals as specified by Owner at the time any work is performed by Owner for User.

ARTICLE 8. MAINTENANCE OF SUBJECT TRACKAGE

- A. Owner shall maintain, repair and renew the Subject Trackage with its own supervision and labor. Owner shall keep and maintain the Subject Trackage in reasonably good condition for the use herein contemplated, but Owner does not guarantee the condition of the Subject Trackage or that operations thereover shall not be interrupted. Owner shall take all reasonable steps to ensure that any interruptions shall be kept to a minimum. Furthermore, except as may be otherwise provided in Article 14, User shall not by reason of failure or neglect on the part of Owner to maintain, repair or renew the Subject Trackage, have or make any claim or demand against Owner or its parent corporation, subsidiaries or affiliates, or their respective directors, officers, agents or employees for any injury to or death of any person or persons whomsoever, or for any damage to or loss or destruction of any property whatsoever, or for any damages of any nature suffered by User resulting from any such failure or neglect.
- B. Owner shall perform, at the expense of User, such additional maintenance as User may reasonably require or request.

ARTICLE 9. CONSTRUCTION AND MAINTENANCE OF NEW CONNECTIONS

- A. Existing connections or facilities that are jointly used by the parties hereto shall continue to be maintained, repaired and renewed by and at the expense of the party or parties responsible for such maintenance, repair and renewal under such agreements.
- B. Any additional connections to the Subject Trackage which may be requested by User shall be subject to the Owner's approval (including design), at Owner's sole and absolute discretion, and shall be constructed, maintained, repaired and renewed as follows:
 - (i). User or others shall furnish all labor and material and shall construct, maintain, repair and renew at its sole cost and expense such portions of the tracks located on the right-of-way of User or others which connect the respective lines of the parties hereto.
 - (ii). Owner shall furnish all labor and material and shall construct, maintain, repair and renew at the sole cost and expense of User such portions of the additional tracks located on the right-of-way of Owner which connect the respective lines of the parties hereto. Upon termination of this Agreement, Owner may at its option remove the portion of such trackage and appurtenances as may be located on property of Owner, at the sole cost and expense of User. The salvage material removed shall be released to User or, as otherwise agreed upon, Owner shall credit User the current fair market value for said salvage.

ARTICLE 10. ADDITIONS, RETIREMENTS AND ALTERATIONS

- A. Owner, from time to time and at its sole cost and expense, may make changes in, additions and betterments to or retirements from the Subject Trackage as shall, in its

judgment, be necessary or desirable for the economical or safe operation thereof or as shall be required by any law, rule, regulation, or ordinance promulgated by any governmental body having jurisdiction. Such additions and betterments shall become a part of the Subject Trackage and such retirements shall be excluded from the Subject Trackage.

- B. If the parties agree that changes in or additions and betterments to the Subject Trackage, including changes in communication or signal facilities, are required to accommodate User's operations beyond that required by Owner to accommodate its operations, Owner shall construct the additional or altered facilities and User shall pay to Owner the cost thereof, including the annual expense of maintaining, repairing and renewing such additional or altered facilities.

ARTICLE 11. MANAGEMENT AND OPERATIONS

- A. User shall comply with the provisions of the Federal Locomotive Inspection Act and the Federal Safety Appliance Act, as amended, and any other federal and state and local laws, regulations and rules respecting the operation, condition, inspection and safety of its trains (locomotives and cars) while such trains, locomotives, cars, and equipment are being operated over the Subject Trackage. User shall indemnify, protect, defend, and save harmless Owner and its parent corporation, subsidiaries and affiliates, and all of their respective directors, officers, agents and employees from and against all fines, penalties and liabilities imposed upon Owner or its parent corporation, subsidiaries or affiliates, or their respective directors, officers, agents and employees under such laws, rules, and regulations by any public authority or court having jurisdiction in the premises, when attributable solely to the failure of User to comply with its obligations in this regard.
- B. User in its use of the Subject Trackage shall comply in all respects with the safety rules, operating rules and other regulations of Owner, and the movement of User's trains (locomotives and cars,) over the Subject Trackage shall at all times be subject to the orders of the transportation officers of Owner. User's trains shall not include locomotives or cars which exceed the width, height, weight or other restrictions or capacities of the Subject Trackage as published in Railway Line Clearances, and no train shall contain locomotives or cars which require speed restrictions or other movement restrictions below the maximum authorized freight speeds as provided by Owner's operating rules and regulations without the prior consent of Owner.
- C. User shall make such arrangements with Owner as may be required to have all of its employees who shall operate its trains, locomotives and cars over the Subject Trackage qualified for operation thereover, and User shall pay to Owner, upon receipt of bills therefor, any cost incurred by Owner in connection with the qualification of such employees of User, as well as the cost of pilots furnished by Owner, until such time as such employees are deemed by the appropriate examining officer of Owner to be properly qualified for operation as herein contemplated.

- D. Owner may conduct an investigation at its option if a User's employee working on Owner's property is alleged to have violated Owner's safety rules, operating rules, regulations, orders, practices or instructions, or if an incident occurs which requires an investigation under applicable agreement rules. To exercise its option, Owner shall schedule the investigation and notify User's local Transportation Officer in the territory thereof, who shall, in turn, arrange to issue proper notice to the User's employee(s) of the investigation. Owner's scheduling of the investigation must comply with the time limits provided in the applicable agreement on User's railroad. Owner shall provide its regulations, supplements, and safety rules to User at no cost.
- E. If Owner conducts an investigation, Owner shall have the right to exclude from the Subject Trackage any employee of User except officers, determined by Owner, as the result of Owner's investigation or hearing described below, to be in violation of Owner's rules, regulations, orders, practices or instructions.
- F. In a major offense, such as violation of Rule "G", dishonesty, insubordination, or a serious violation of operating rules, wherein Owner desires to bar User's employee from service on Owner's territory pending an investigation by Owner, immediate verbal notification shall be given to the appropriate Transportation Officer of User so that proper written notice can be issued to the employee.
- G. If Owner conducts an investigation, its officer shall conduct the investigation, but an officer of User shall be present to assure compliance with User's labor agreement and practices with respect to investigation procedures. After the investigation is concluded, Owner shall promptly furnish User with two copies of the transcript and a recommendation as to the discipline to be assessed. User's Transportation Officer shall arrange to assess discipline, subject to receipt of Owner's recommended discipline, within the applicable time limits. If Owner recommends dismissal, User reserves the right to change the recommendation to the extent of barring the individual from operating over Owner's territory.
- H. It is understood that Owner shall reimburse User for all payments that User might be required to make as a result of a challenge being made by the employee or his representative as to the discipline recommended by Owner and assessed by User. User agrees to notify Owner before committing itself to making payment of any claim. In the event a claim is progressed to an Adjustment Board, Owner shall be given an opportunity to review User's submission. Any payments made to employees, as a result of an investigation being "overturned", shall include not only actual wages, but in addition, shall include expenses which User may be required to pay covering vacation allowances, Railroad Retirement taxes, unemployment insurance taxes and any other payroll tax or fringe benefits.
- I. The trains, locomotives, cars and equipment of User, Owner, and any other present or future user of the Subject Trackage or any portion thereof, shall be operated without prejudice or partiality to either party and in such manner as shall afford the most economical and efficient manner of movement of all traffic.

- J. In the event that a train of User shall be forced to stop on Subject Trackage, and such stoppage is due to insufficient hours of service remaining among User's crew, or due to mechanical failure of User's equipment, or any other cause not resulting from an accident or derailment, and such train is unable to proceed, or if a train of User fails to maintain the speed required by Owner on the Subject Trackage, or if in emergencies, crippled or otherwise defective cars are set out of User's trains on the Subject Trackage, Owner shall have the option to furnish motive power or such other assistance (including but not limited to the right to recrew User's train) as may be necessary to haul, help or push such trains, locomotives or cars, or to properly move the disabled equipment off the Subject Trackage, and User shall reimburse Owner for the cost of rendering any such assistance.
- K. If it becomes necessary to make repairs to or adjust or transfer the lading of such crippled or defective cars in order to move them off the Subject Trackage, such work shall be done by Owner, and User shall reimburse Owner for the cost thereof.
- L. In the event Owner and User agree that Owner should retain employees or provide additional employees for the sole benefit of User, the parties hereto shall enter into a separate agreement under which User shall bear all cost and expense for any such retained or additional employees provided, including without limitation all cost and expense associated with labor protective payments which are made by Owner and which would not have been incurred had the retained or additional employees not been provided.

ARTICLE 12. MILEAGE AND CAR HIRE

All mileage and car hire charges accruing on cars in User's trains on the Subject Trackage shall be assumed by User and reported and paid by it directly to the owner of such cars.

ARTICLE 13. CLEARING OF WRECKS

Whenever User's use of the Subject Trackage requires re-railing, wrecking service or wrecking train service, Owner shall perform or provide such service, including the repair and restoration of roadbed, track and structures. The cost, liability and expense of the foregoing, including without limitation loss of, damage to, or destruction of any property whatsoever and injury to and death of any person or persons whomsoever or any damage to or destruction of the environment whatsoever, including without limitation land, air, water, wildlife, and vegetation, resulting therefrom, shall be apportioned in accordance with the provisions of Article 14 hereof. All locomotives, cars, and equipment and salvage from the same so picked up and removed which are owned by or under the management and control of or used by User at the time of such wreck, shall be promptly delivered to it.

ARTICLE 14. LIABILITY

The responsibility and liability between the parties for: (i) any personal injury or death of any person (including employees of the parties and third persons), (ii) any real or personal property damage of any person (including property of the parties and third persons), (iii) any damage or destruction to the environment (including land, air, water, wildlife and vegetation), and (iv) all cleanup and remedial expenses, court costs, settlements, claims, judgments, litigation expenses and attorney's fees resulting from the use of the Subject Trackage by either party as described herein, all of which are collectively referred to as a "Loss", shall be divided as follows:

- A. If a Loss occurs involving the trains, locomotives, engines and/or employees of only one of the parties, then the involved party should be solely responsible for the Loss, even if caused partially or completely by the other party.
- B. If a Loss occurs on the Subject Trackage involving the trains and locomotives of both Owner and User, then: (i) each is solely responsible for any Loss to its own employees, locomotives and equipment in its own account including lading and (ii) the parties are equally responsible for any Loss to the Subject Trackage and Loss sustained by third parties, regardless of the proportionate responsibility between them as to the cause of the Loss.
- C. For purposes of assigning responsibility of a Loss under this Article as between the parties hereto, a Loss involving one of the parties to this Agreement and a third party or parties shall be construed as being the sole responsibility of that one party to this Agreement.
- D. Whenever any liability, cost, or expense is assumed by or apportioned to a party hereto under the foregoing provisions, that party shall forever protect, defend, indemnify, and save harmless the other party to this Agreement and its parent corporation, subsidiaries and affiliates, and all of their respective directors, officers, agents, and employees from and against that liability, cost and expense assumed by that party or apportioned to it, regardless of whether caused in whole or in part by the fault, failure, negligence, misconduct, nonfeasance, or misfeasance of the indemnitee or its directors, officers agents, or employees.
- E. In every case of death or injury suffered by an employee of either User or Owner, when compensation to such employees or employee's dependents is required to be paid under any workmen's compensation, occupational disease, employers' liability or other law, and either of said parties, under the provisions of this Agreement, is required to pay said compensation, if such compensation is required to be paid in installments over a period of time, such party shall not be released from paying any such future installments by reason of the expiration or other termination of this Agreement prior to any of the respective dates upon which any such future installments are to be paid.
- F. For purposes of determining liability, pilots furnished by Owner to User pursuant to this Agreement shall be considered as the employees of User while such employees are on duty as pilots.

- G. For the purpose of determining liability associated with construction, maintenance, repair and renewal of connections as provided in Article 9 B (ii), all work performed by Owner shall be deemed performed for the sole benefit of User and, User shall be fully liable for all cost and expense of any and all loss, damage, destruction, injury and death resulting from, arising out of, incidental to or occurring in connection with said construction, maintenance repair and renewal except when such cost and expense of loss, damage, destruction, injury or death is caused by the sole negligence of Owner. User shall protect, indemnify, and save harmless Owner and its parent corporation, subsidiaries and affiliates, and all of their respective directors, officers, agents and employees from and against any and all expense and liability for which User is responsible.
- H. If any suit or action shall be brought against either party for damages which under the provisions of this Agreement are in whole or in part the responsibility of the other party, said other party shall be notified in writing by the party sued, and the party so notified shall have the right and be obligated to take part in the defense of such suit and shall pay a proportionate part of the judgment and costs, expense and attorneys' fees incurred in such suit according to its liability assumed hereunder.
- I. In the event of a Loss as set out herein, the parties to this Agreement shall be bound by the Freight Claim Rules, Principles, and Practices of the Association of American Railroads (AAR) as to the handling of any claims for the loss or damage to lading.
- J. Notwithstanding any and all of the forgoing provisions of this article, in the event a Loss occurs while the Subject Trackage is being used by Owner and/or User, and such Loss is attributable solely to the willful or wanton negligence of only one of the parties to this Agreement, then the party hereto which was so willfully or wantonly negligent shall be solely responsible for such Loss.

ARTICLE 15. CLAIMS

- A. Except as provided in Subarticle B below, all claims, injuries, death, property damages and losses arising out of or connected with this Agreement shall be investigated, adjusted and defended by the party bearing the liability, cost, and expense therefor under the provisions of this Agreement.
- B. Each party shall investigate, adjust and defend all freight loss and damage claims filed with it in accordance with 49 U.S.C. Section 11706.
- C. In the event a claim or suit is asserted against Owner or User which is the other's duty hereunder to investigate, adjust or defend, then, unless otherwise agreed, such other party shall, upon request, take over the investigation, adjustment and defense of such claim or suit.
- D. All costs and expenses in connection with the investigation, adjustment and defense of

any claim or suit under this Agreement shall be included as costs and expenses in applying the liability provisions set forth in this Agreement, except that salaries or wages of full-time agents, full-time attorneys and other full-time employees of either party engaged directly or indirectly in such work shall be borne by such party.

- E. Excluding freight loss and damage claims filed in accordance with 49 U.S.C. Section 11706, neither party shall settle or compromise any claim, demand, suit or cause of action for which the other party has any liability under this Agreement without the concurrence of such other party if the consideration for such settlement or compromise exceeds THIRTY-FIVE THOUSAND DOLLARS (\$35,000).
- F. Each party agrees to indemnify and hold harmless the other party and its parent corporation, subsidiaries and affiliates, and all their respective directors, officers, agents and employees from and against any and all costs and payments, including benefits, allowances and arbitration, administrative and litigation expenses, arising out of claims or grievances made by or on behalf of its own employees, either pursuant to a collective bargaining agreement or employee protective conditions imposed by a governmental agency upon the agency's approval or exemption of this Agreement. It is the intention of the parties that each party shall bear the full costs of protection of its own employees under employee protective conditions which may be imposed, and of grievances filed by its own employee arising under its collective bargaining agreements with its employees.
- G. It is understood that nothing in this Article 15 shall modify or waive the conditions, obligations, assumptions or apportionments provided in Article 14.

ARTICLE 16. INSURANCE

- A. During the term of this Agreement User agrees to procure and maintain at its sole cost and expense railroad operating and liability insurance, hereinafter called "Insurance", naming User as the insured and covering the liability assumed by it and its agents under the terms of this Agreement and by virtue of User's usage of Owner's trackage. Owner shall be listed as an additional insured. The Insurance shall include liability for foreign rolling stock and cargo in the care, custody or control of User and contain a contractual liability endorsement that shall specifically grant coverage for all liability assumed under this Agreement. The Insurance shall be in an amount not less than Five Million Dollars (\$5,000,000) combined single limit for personal injury and property damage per occurrence.
- B. The Insurance shall contain provisions obligating the insurer to provide Owner with notice of cancellation, material modification or non-renewal at least thirty (30) days prior to the effective date thereof.
- C. The Insurance shall be evidenced by a current certificate of insurance, naming Owner as an additional insured, and addressed to Owner (Risk Management Department C907; CSX Transportation, Inc.; 500 Water Street; Jacksonville, FL 32202) which certificate

shall be subject to the prior approval of Owner's Risk Management Department. All of the required endorsements and notice provisions shall be stated on the certificate of insurance that is provided to Owner. User shall subsequently furnish annual renewal certificates of insurance to Owner's Risk Management Department.

- D. All of the required endorsements and notice provisions shall be stated on the certificate of insurance that is provided to Owner. In addition, User shall provide Owner's Insurance Department notice of any claim and any other correspondence dealing with insurance and insurance matters.

ARTICLE 17. DEFAULT AND TERMINATION

In the event of any substantial failure on the part of User to perform its obligations under this Agreement and its continuance in such default for a period of sixty (60) days after written notice thereof by certified mail from Owner, Owner shall have the right at its option, after first giving thirty (30) days written notice thereof by certified mail, and notwithstanding any waiver by Owner of any prior breach thereof, to terminate the Trackage Rights and User's use of the Subject Trackage, subject to any regulatory approval or exemption that may be required under governing law. The exercise of such right by Owner shall not impair its rights under this Agreement or any cause or causes of action it may have against User for the recovery of damages.

ARTICLE 18. REGULATORY APPROVAL

- A. Should this Agreement require the prior approval of the Surface Transportation Board (STB), User at its own cost and expense shall initiate and thereafter diligently pursue an appropriate application or petition to secure such approval. Owner shall assist and support efforts of User to secure any necessary STB approval of this Agreement.
- B. Should the STB at any time during the term of this Agreement impose any labor protective conditions upon the exemption of this Agreement from regulation, User, solely, shall be responsible for any and all payments in satisfaction of such conditions.

ARTICLE 19. ABANDONMENT OF SUBJECT TRACKAGE

Notwithstanding the provisions of Article 20, Owner may abandon and/or discontinue its use of the Subject Trackage during the term of this Agreement or any renewals thereof, upon giving User not less than ninety (90) days' notice of Owner's intent to abandon. In the event regulatory authority is required to effect such abandonment, User shall not interfere with Owner's actions to seek and to exercise such authority. In the event regulatory authority is required for User to discontinue its own operations over the Subject Trackage, User shall seek and exercise such regulatory authority at the same time that Owner seeks regulatory authority to abandon the Subject Trackage. Owner and User shall exercise the abandonment and

discontinuance authority within thirty (30) days from the date Owner and User obtain the aforementioned regulatory authority. Upon the date established by Owner for abandonment of the Subject Trackage by its aforesaid notice to User or upon the above specified date of exercise of the regulatory authority to abandon and discontinue operations, whichever is later, this Agreement shall terminate and be of no further force and effect, except that termination of this Agreement shall not relieve or release either party hereto from any obligations assumed or from any liability which may have arisen or been incurred prior to said termination. As used herein, Subject Trackage means the entire Subject Trackage or any portion or portions thereof.

ARTICLE 20. TERM

- A. This Agreement shall be effective the day and year first above written or, in the event STB approval is required, on the effective date such approval is secured and shall remain in effect for twenty-five (25) years, and shall continue in effect thereafter until terminated by User upon sixty (60) days advance written notice to Owner of its intent to terminate this Agreement or until User receives authority to discontinue the rights herein granted, whichever occurs first.
- B. Termination of this Agreement shall not relieve or release either party hereto from any obligation assumed or from any liability which may have arisen or been incurred by either party under the terms of this Agreement prior to the termination hereof.

ARTICLE 21. FORCE MAJEURE

Owner shall not be responsible to User for delays or failure to perform under this Agreement if such delays or failure to perform are covered by circumstances beyond its control, including, but not limited to, Acts of God, terrorism or threatened acts of terrorism, floods, storms, earthquakes, hurricanes, tornadoes, or other severe weather or climatic conditions, acts of public enemy, war, blockade, insurrection, vandalism or sabotage, fire, accident, wreck, derailment, washout or explosion, strike, lockout or labor disputes experienced by the parties hereto, embargoes or AAR service orders; Federal Railroad Administration (FRA) orders, or governmental laws, orders or regulations.

ARTICLE 22. ARBITRATION

Any dispute arising between the parties with respect to this Agreement shall be jointly submitted for binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association by either party. The decision of the arbitrator shall be final and conclusive upon the parties hereto. Each party to the arbitration shall pay the compensations, costs, fees and expenses of its own witnesses, experts and counsel. The compensation, costs and expense of the arbitrator, if any, shall be borne equally by the parties hereto. The arbitrator shall not have the power to award consequential or punitive damages or to determine violations of criminal or antitrust laws.

ARTICLE 23. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and be binding upon the successors and assigns, by merger or otherwise, of the parties hereto. Neither party hereto shall transfer or assign this Agreement, or any of its rights, interests or obligations hereunder, to any person, firm, or corporation without obtaining the prior written consent of the other party to this Agreement.

ARTICLE 24. NOTICES

Any notice required or permitted to be given by one party to the other under this Agreement shall be deemed given on the date sent by certified mail, or by such other means as the parties may agree, and shall be addressed as follows:

If to Owner: Director – Passenger and Joint Facility Agreements
 CSX Transportation, Inc.
 500 Water Street, J315
 Jacksonville, FL 32202

If to User: Vice President - Marketing
 Massachusetts Coastal Railroad, LLC
 68 Center Street, Suite 20
 Hyannis, MA 02601

Either party may provide changes in the above addresses to the other party by personal service or U.S. mail.

ARTICLE 25. GENERAL PROVISIONS

- A. This Agreement and each and every provision hereof is for the exclusive benefit of the parties hereto and not for the benefit of any third party. Nothing herein contained shall be taken as creating or increasing any right of any third party to recover by way of damages or otherwise against either of the parties hereto.
- B. This Agreement contains the entire understanding of the parties hereto and supersedes any and all oral understandings between the parties.
- C. No term or provision of this Agreement may be changed, waived, discharged or terminated except by an instrument in writing and signed by both parties to this Agreement.
- D. All words, terms and phrases used in this Agreement shall be construed in accordance

with the generally applicable definition or meaning of such words, terms and phrases in the railroad industry.

- E. All Article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.
- F. As used in this Agreement, whenever reference is made to the trains, locomotives, cars or equipment of, or in the account of, one of the parties hereto, such expression means the trains, locomotives, cars and equipment in the possession of or operated by one of the parties and includes such trains, locomotives, cars and equipment which are owned by, leased to, or in the account of such party. Whenever such locomotives, cars or equipment are owned or leased by one party to this Agreement and are in the possession or account of the other party to this Agreement, such locomotives, cars and equipment shall be considered those of the other party under this Agreement.
- G. This Agreement is the result of mutual negotiations of the parties hereto, neither of whom shall be considered the drafter for purposes of contract construction.
- H. Neither party hereto may disclose the provisions of this Agreement to a third party, excluding a parent, subsidiary or affiliate company, without the written consent of the other party, except as otherwise required by law, regulation or ruling.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

Witness for Owner:

Joanna Gr. Pitt

CSX TRANSPORTATION, INC.

By: S.A. Potter

Name: S.A. Potter

Title: AVP - Network Planning
& Joint Facilities

Witness for User:

MASSACHUSETTS COASTAL
RAILROAD, LLC

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

Witness for Owner:

CSX TRANSPORTATION, INC.

By: _____

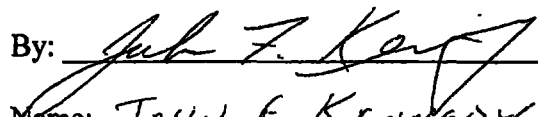
Name: _____

Title: _____

Witness for User:



MASSACHUSETTS COASTAL
RAILROAD, LLC

By:  _____

Name: JOHN F. KENNEDY

Title: PRESIDENT

EXHIBIT F

Exhibit 15 - Minor Transaction Operating Plan.

Mass Coastal will provide, at a minimum, the same level of service that CSXT provides today on the South Coast Lines, and will utilize the same basic schedule as that of CSXT. Specifically, Mass Coastal will provide five-day-per-week service, Monday through Friday, on the South Coast Lines from Taunton, MA. Generally, trains will operate from Taunton to New Bedford and return three times per week (Monday, Wednesday and Friday), and from Taunton to Fall River and return twice per week (Tuesday and Thursday). Mass Coastal will offer flexibility to this scheduled service, depending on carload volume and specific customer needs and requests.

Trains will be scheduled to depart Taunton in the morning and return to Taunton in the afternoon. Departures from Taunton will be coordinated with CSXT's arrivals to provide seamless service on the South Coast Lines.

Eventually, the Commonwealth plans to rehabilitate the South Coast Lines and provide commuter service. When this occurs, Mass Coastal and the MBTA will establish specific windows of operation for Mass Coastal's scheduled freight service. The terms of Mass Coastal's easement provide it with all necessary rights to permit it to meet its common carrier obligation, rights which are consistent with the operation of commuter service contemplated by the Commonwealth.

CERTIFICATE OF SERVICE

I hereby certify that I have caused the foregoing document to be served pursuant to the requirements of 49 C.F.R. § 1180.4(c)(5) and on the following parties by first class mail, postage pre-paid on the Secretary of the United States Department of Transportation, the Attorney General of the United States, the Federal Trade Commission, the Governor, Public Service Commission, and Department of Transportation of the States of Alabama, Connecticut, District of Columbia, Delaware, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Massachusetts, Maryland, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia, and the shippers on the Lines identified in CSXT's records.



John H. Broadley, Esq.
November 24, 2009

EXHIBIT 1-A

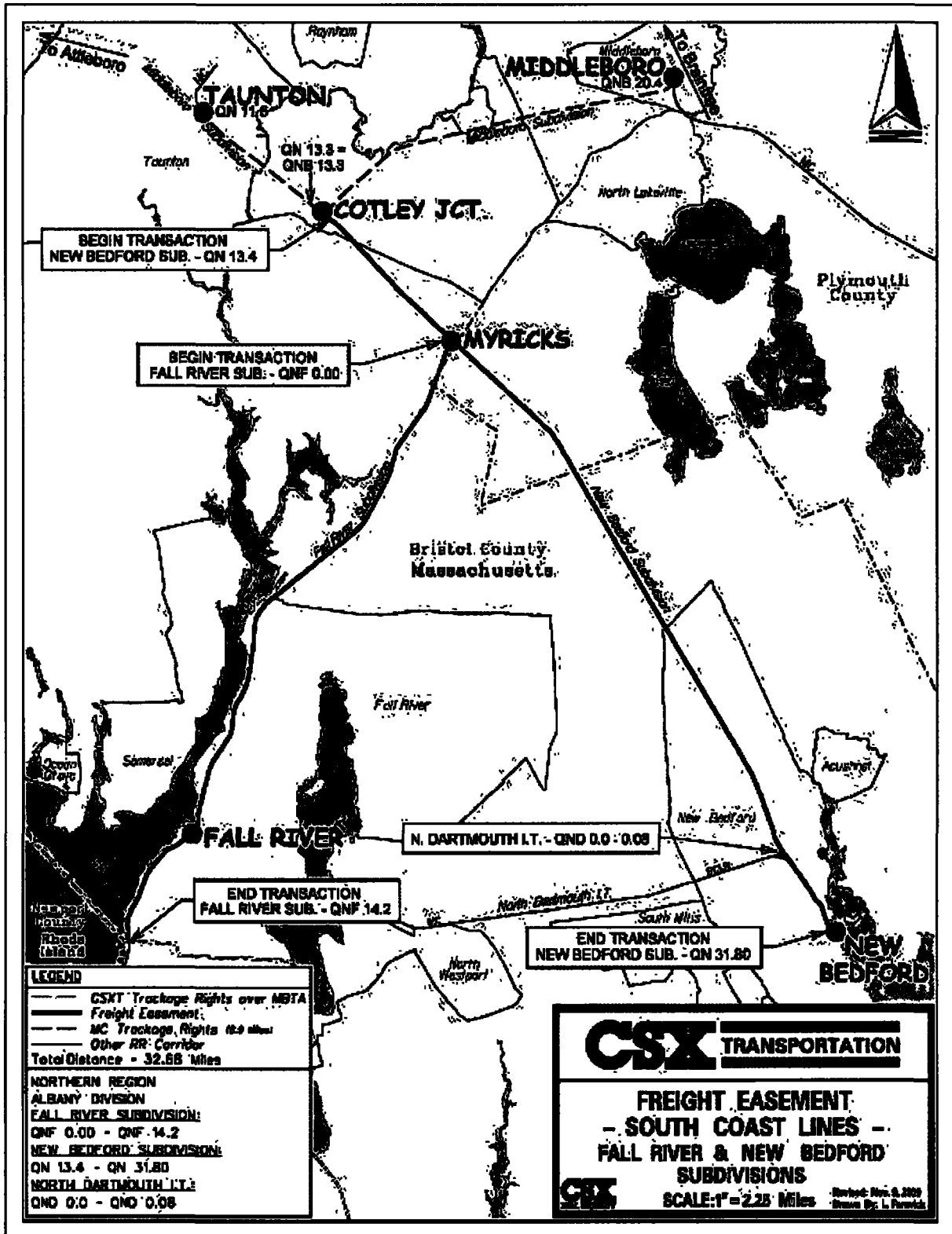
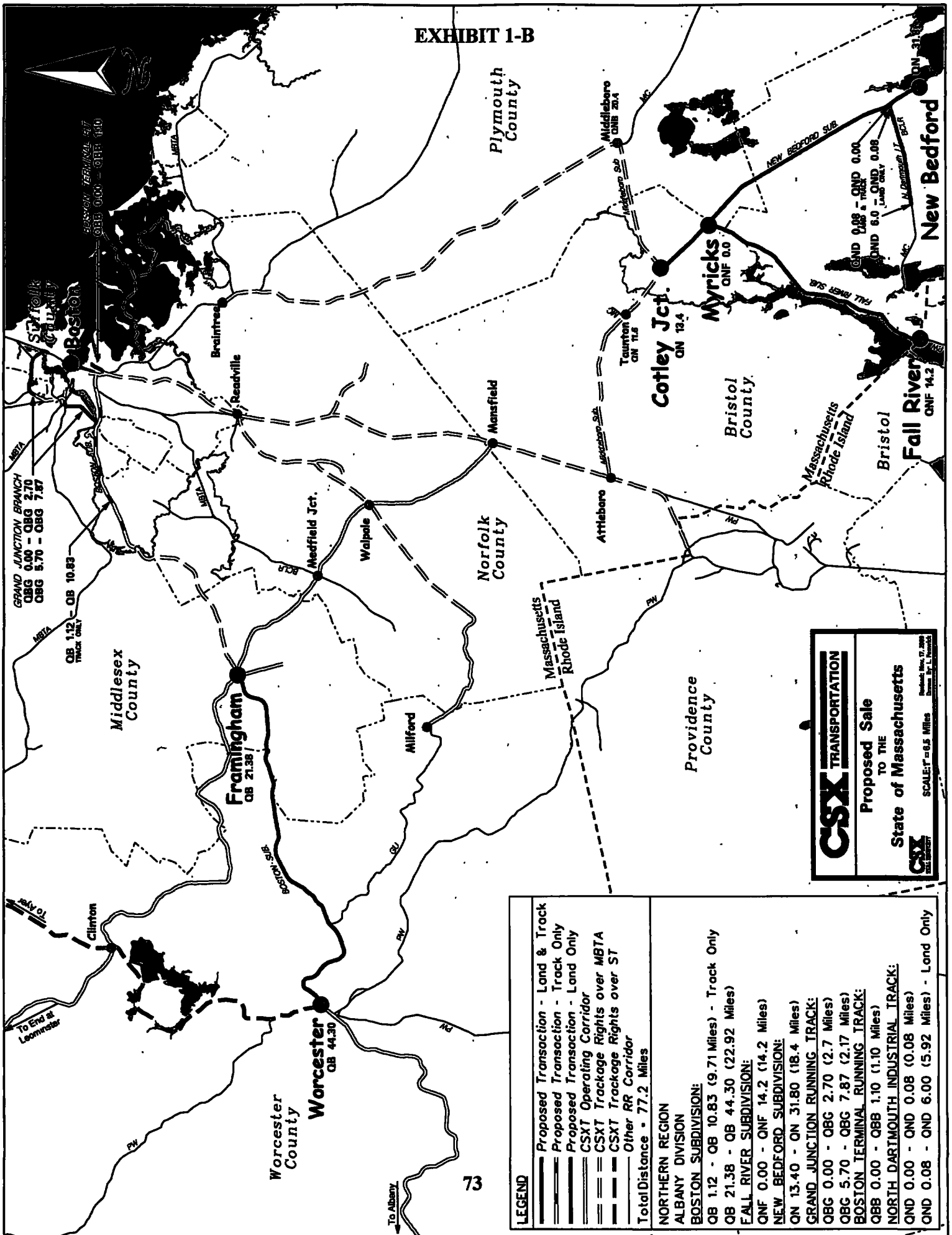


EXHIBIT 1-B



LEGEND

- Proposed Transaction - Land & Track
- Proposed Transaction - Track Only
- Proposed Transaction - Land Only
- CSXT Operating Corridor
- CSXT Trackage Rights over MBTA
- CSXT Trackage Rights over ST
- Other RR Corridor

Total Distance - 77.2 Miles

NORTHERN REGION

ALBANY DIVISION

BOSTON SUBDIVISION:

OB 1.12 - OB 10.83 (9.71 Miles) - Track Only

OB 21.38 - OB 44.30 (22.92 Miles)

FALL RIVER SUBDIVISION:

QNF 0.00 - QNF 14.2 (14.2 Miles)

NEW BEDFORD SUBDIVISION:

ON 13.40 - ON 31.80 (18.4 Miles)

GRAND JUNCTION RUNNING TRACK:

QBG 0.00 - QBG 2.70 (2.7 Miles)

QBG 5.70 - QBG 7.87 (2.17 Miles)

BOSTON TERMINAL RUNNING TRACK:

QBB 0.00 - QBB 1.10 (1.10 Miles)

NORTH DARTMOUTH INDUSTRIAL TRACK:

QND 0.00 - QND 0.08 (0.08 Miles)

QND 0.08 - QND 6.00 (5.92 Miles) - Land Only

CSX TRANSPORTATION

Proposed Sale
TO THE

State of Massachusetts

Scale: 1" = 6.5 Miles
Revised: May 12, 2003
Drawn: R. L. N. 10-000